THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional advisor.

If you have sold or transferred all your shares in Samsonite International S.A., you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Samsonite®

SAMSONITE INTERNATIONAL S.A.
新秀麗國際有限公司

13–15 Avenue de la Liberté, L-1931 Luxembourg
R.C.S. LUXEMBOURG: B 159.469
(Incorporated in Luxembourg with limited liability)
(Stock code: 1910)

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF TUMI HOLDINGS, INC.

AND

NOTICE OF GENERAL MEETING

Financial Advisor to the Company
Morgan Stanley

A notice convening the General Meeting of Samsonite International S.A. to be held at 13–15 Avenue de la Liberté, L-1931 Luxembourg and by video conference at 5/F, Hutchison House, 10 Harcourt Road, Central, Hong Kong on Tuesday, July 26, 2016 at 11:00 a.m. (CET)/5:00 p.m. (Hong Kong time) is set out on pages N-1 and N-2 of this circular. A form of proxy for use at the General Meeting is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.samsonite.com).

Whether or not you are able to attend the General Meeting, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or to the Company's registered office at 13–15 Avenue de la Liberté, L-1931 Luxembourg as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the General Meeting if they so wish.

June 28, 2016

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In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"adjusted EBITDA"	earnings before interest, tax, depreciation and amortization, adjusted for other income and expenses and non-cash stock-based compensation expense
"Announcement"	the announcement of the Company dated March 4, 2016 in relation to the Merger
"Articles of Incorporation"	the articles of incorporation of the Company currently in force
"Board"	the board of Directors of the Company
"Closing"	closing of the Merger
"Company"	Samsonite International S.A. 新秀麗國際有限公司, a *société anonyme* incorporated and existing under the laws of the Grand-Duchy of Luxembourg having its registered office at 13-15 Avenue de la Liberté, L-1931 Luxembourg, registered with the Luxembourg trade and companies register with number B159.469 with limited liability, with the Shares being listed on the Main Board of the Stock Exchange
"Delaware General Corporation Law"	the General Corporation Law of the State of Delaware (as amended)
"Directors"	the directors of the Company
"Dissenting Tumi Shares"	the Tumi Shares that are eligible for and whose holders properly exercise and perfect the appraisal rights for such Tumi Shares in accordance with the Delaware General Corporation Law
"Enlarged Group"	the Group as enlarged by the Merger
"Exchange Act"	the U.S. Securities Exchange Act of 1934, as amended, and the rules promulgated thereunder
"General Meeting"	the general meeting of the Shareholders of Company to be held at 13–15 Avenue de la Liberté, L-1931 Luxembourg and by video conference at 5/F, Hutchison House, 10 Harcourt Road, Central, Hong Kong on Tuesday, July 26, 2016 at 11:00 a.m. (CET)/5:00 p.m. (Hong Kong time) for Shareholders to consider and, if thought fit, approve the Merger Agreement, the transactions contemplated by the Merger Agreement, including the Merger, the debt financing as well as the guarantees and security to be granted in that respect
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"IFRS"	International Financial Reporting Standards
"Latest Practicable Date"	June 21, 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Merger"	the proposed merger of PTL Acquisition with and into Tumi, with Tumi surviving the merger as an indirect wholly-owned subsidiary of the Company on the terms and conditions set out in the Merger Agreement
"Merger Agreement"	the agreement and plan of merger dated as of March 3, 2016 entered into between the Company, PTL Acquisition and Tumi in relation to the Merger
"PTL Acquisition"	PTL Acquisition Inc., a company incorporated and existing under the laws of the State of Delaware, United States, and an indirect wholly-owned subsidiary of the Company formed solely for the purpose of engaging in transactions contemplated by the Merger Agreement
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
"Shares"	ordinary shares of US$0.01 each in the capital of the Company
"Shareholders"	holders of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tumi"	Tumi Holdings, Inc., a company incorporated and existing under the laws of the State of Delaware, United States, with the Tumi Shares being traded on the New York Stock Exchange under the symbol "TUMI"
"Tumi Board"	the board of directors of Tumi
"Tumi Common Stock"	common stock of US$0.01 each in the capital of Tumi
"Tumi Group"	Tumi and its subsidiaries
"Tumi Material Adverse Effect"	any state of facts, circumstance, condition, event, change, development, occurrence, result or effect (each, an "**Effect**") that, individually or in combination with any other Effect, (i) (subject to certain exceptions as set out in the Merger Agreement) is or would reasonably be expected to be materially adverse to the business, financial condition, assets, liabilities or results of operations of Tumi and its subsidiaries, taken as a whole, or (ii) would prevent, materially impair or materially delay the timely performance by Tumi of, or has or would have a material adverse effect on the ability of Tumi to, timely perform, its obligations under the Merger Agreement
"Tumi Shares"	shares of Tumi Common Stock
"Tumi Stockholders"	holders of Tumi Shares
"US$"	United States dollars, the lawful currency of the United States
"U.S." or "United States"	the United States of America
"U.S. GAAP"	U.S. Generally Accepted Accounting Principles

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Executive Directors:
Ramesh Dungarmal Tainwala *(Chief Executive Officer)*
Kyle Francis Gendreau

Non-executive Directors:
Timothy Charles Parker *(Chairman)*
Tom Korbas

Independent Non-executive Directors:
Paul Kenneth Etchells
Keith Hamill
Miguel Kai Kwun Ko
Bruce Hardy McLain (Hardy)
Ying Yeh

Registered Office:
13–15 Avenue de la Liberté
L-1931
Luxembourg

Principal Place of Business in Hong Kong:
25/F, Tower 2, The Gateway
Harbour City, 25 Canton Road
Tsimshatsui, Kowloon
Hong Kong

June 28, 2016

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTION IN RELATION TO
THE ACQUISITION OF TUMI HOLDINGS, INC.

AND

NOTICE OF GENERAL MEETING

A. INTRODUCTION

On March 4, 2016, the Company announced that the Company and PTL Acquisition (an indirect wholly-owned subsidiary of the Company) had entered into the Merger Agreement with Tumi pursuant to which the Company agreed to acquire Tumi, subject to the terms and conditions set out in the Merger Agreement. The acquisition is proposed to be effected by way of a merger of PTL Acquisition with and into Tumi, with Tumi surviving the merger as an indirect wholly-owned subsidiary of the Company.

Tumi is a leading global premium lifestyle brand offering a comprehensive line of business bags, travel luggage and accessories. The brand is consistently recognized as "best in class" for the high quality, durability, functionality and innovative design of its products, which range from its iconic black ballistic business cases and travel luggage synonymous with the modern business professional, to travel accessories, women's bags and outdoor apparel. As of December 31, 2015, the Tumi brand was sold in approximately 2,000 points of distribution from New York to Paris to London and Tokyo, as well as in the world's top department, specialty and travel retail stores in over 75 countries.

As one or more of the applicable percentage ratios (as set out and calculated under Rule 14.07 of the Listing Rules) in respect of the Merger is more than 25% but all are less than 100%, the Merger constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The purpose of this circular is to provide you with, among other things, (i) further information in respect of the Merger, (ii) the financial information relating to the Group and the Tumi Group, (iii) unaudited pro forma financial information of the Enlarged Group, (iv) other information as required by the Listing Rules and (v) notice of the General Meeting.

B. STRATEGIC AND FINANCIAL RATIONALE FOR THE MERGER

The Board considers that the Merger is fair and reasonable and in the interests of the Company and the Shareholders as a whole for the following reasons.

Compelling Strategic and Financial Rationale for the Merger

(a) **Creates a leading global travel lifestyle company.** The Merger brings together Tumi, an iconic North American purveyor of premium business bags, travel luggage and accessories, with the Group, the world's best known and largest lifestyle bags and travel luggage company, to create a leading global travel lifestyle company.

(b) **Ideal and complementary fit with the Group.** With approximately 2,000 points of distribution across over 75 countries, Tumi's leading market position in the premium business and luggage segment is a perfect complement to the Group's strong and diverse portfolio of brands and products, with limited overlap in market positioning, price point and distribution. The addition of Tumi builds on the Group's proven track record of successful acquisitions across multiple product categories and price points to broaden its portfolio.

(c) **Enables the Group to strategically expand into the highly attractive premium segment** of the global business bags, travel luggage and accessories market with a business and travel brand that is recognized worldwide as being "best in class" in the premium segment.

(d) **Presents tremendous opportunities to leverage the Group's extensive global retail and wholesale network and its strengths in distribution, sourcing, technical innovation and localisation of products to consumer preferences** to introduce the Tumi brand to millions of new customers in additional markets worldwide. This includes expansion in Asia and Europe, while strengthening Tumi's platform in North America, as well as leveraging the Group's clear strength in hardside innovation to expand Tumi's hardside luggage offering.

(e) **Reinforces the Group's strong platform for long-term growth and profitability.** Tumi is a profitable business and the combined company is expected to generate significant free cash flow to meet interest payments while continuing to make cash distributions to Shareholders.

(f) **Creates potential for significant operational and top-line synergies.** This includes cost savings in such key areas as sourcing, logistics, sales and marketing, distribution, retail and general and administrative costs, as well as potential top-line synergies resulting from the Group's enhanced and complementary product development and global reach.

The Group's Strategy for Tumi

(a) **Leverage the Group's global multi-channel distribution model and expertise in direct operations by:**

- utilizing the Group's strong global distribution network to penetrate wholesale doors in Asia and Europe;
- utilizing the Group's on-the-ground resources to improve Tumi's international product merchandising and mix, with products tailored to local market preferences;
- accelerating Tumi's retail footprint in Asia with stores in each major market;
- cross-selling Tumi products in the Group's "multi-brand" stores; and
- implementing best practices in retail operations.

(b) **Enhance product development and innovation by:**

- utilizing shared best practices and complementary development efforts to improve innovation; and
- expanding and enhancing Tumi's hardside strategy, particularly in the premium Asian and European markets by leveraging the Group's clear strength in hardside innovation.

Following completion of the Merger, the Company will continue to be listed on the Main Board of the Stock Exchange.

C. THE MERGER AGREEMENT

The principal terms and conditions of the Merger Agreement are set out below.

1. Date

March 3, 2016 (New York time)

2. Parties

(a) The Company;

(b) PTL Acquisition; and

(c) Tumi.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, Tumi and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company (as defined in the Listing Rules).

3. Merger

The Company has agreed to acquire Tumi by way of a merger to be consummated in accordance with the Delaware General Corporation Law, in accordance with the terms and subject to the conditions of the Merger Agreement. The acquisition is proposed to be effected by way of the Merger whereby PTL Acquisition will be merged with and into Tumi, with Tumi surviving the merger as an indirect wholly-owned subsidiary of the Company.

4. Consideration

In accordance with the terms and subject to the conditions of the Merger Agreement, each Tumi Share issued and outstanding immediately prior to the Closing, other than Dissenting Tumi Shares and Tumi Shares owned by the Company, PTL Acquisition, Tumi or any of their respective wholly-owned subsidiaries (including treasury shares), will be cancelled and converted into the right to receive cash in an amount equal to US$26.75 per Tumi Share, without interest (the "**Merger Consideration**").

Stock options (whether vested or unvested), service restricted stock unit awards (whether vested or unvested) and performance restricted stock unit awards (whether vested or unvested) granted by Tumi, in each case which are outstanding immediately prior to the Closing, will be cancelled. Holders of Tumi stock options will be entitled to receive a cash amount equal to the product of (a) the number of Tumi Shares subject to the Tumi stock options multiplied by (b) the excess, if any, of the Merger Consideration over the exercise price of each stock option, less applicable taxes required to be withheld with respect to such payment. Holders of Tumi service restricted stock unit awards will be entitled to receive a cash amount equal to the product of (a) the number of Tumi Shares subject to the Tumi service restricted stock unit awards multiplied by (b) the Merger Consideration, less applicable taxes required to be withheld with respect to such payment. Holders of Tumi performance restricted stock unit awards will be entitled to receive a cash amount equal to the product of (a) the number of Tumi Shares subject to the Tumi performance restricted stock unit awards (assuming target-level performance) multiplied by (b) the Merger Consideration, less applicable taxes required to be withheld with respect to such payment.

Pursuant to the Merger Agreement, subject to certain limited exceptions as set out in the Merger Agreement, Tumi may not grant any new Tumi stock options or restricted stock unit awards or issue any new Tumi Shares (except pursuant to the exercise of existing Tumi stock options or the settlement of existing Tumi restricted stock unit awards) prior to Closing. As of May 31, 2016, there were (i) 67,661,362 Tumi Shares issued and outstanding (excluding treasury shares), (ii) 765,959 Tumi Shares held in treasury, (iii) 280,161 Tumi Shares which were subject to outstanding Tumi performance restricted stock unit awards (assuming target-level performance), (iv) 238,684 Tumi Shares which were subject to outstanding Tumi service restricted stock unit awards and (v) 1,031,827 Tumi Shares which were issuable upon the exercise of outstanding Tumi stock options.

The aggregate cash consideration payable by the Company under the terms of the Merger Agreement is expected to be approximately US$1,829,029,898 (the "**Total Consideration**"), calculated on a fully diluted basis as of May 31, 2016, with the dilutive effect of outstanding stock options and restricted stock unit awards granted by Tumi incorporated based on the assumption that proceeds received from each such stock option or restricted stock unit award, if exercised, would be used to repurchase Tumi Shares at the price equal to the Merger Consideration. The Total Consideration will be funded by a new committed debt financing that will comprise US$500 million in a Revolving Facility (as defined below) and US$1,925 million in Term Loan Facilities (as defined below), as well as by the Group's own cash resources. In determining the source of funding for the Total Consideration, the Company took into account the amount of the Group's available cash resources, the availability of debt financing on favourable terms compared to equity financing and the fact that debt financing would be less dilutive to the earnings per Share of the Company and therefore better aligns with the interests of the Shareholders as a whole. Please see *"Debt Financing"* below for further details of the debt financing arrangements for the Merger.

The Merger values Tumi at an equity valuation of approximately US$1,829,029,898. This represents a 13.6 times multiple of enterprise value to Tumi's adjusted EBITDA for the last twelve months ended December 31, 2015.

The Merger Consideration of US$26.75 per Tumi Share represents a premium of approximately 38% of the volume weighted average price of US$19.34 per Tumi Share on the New York Stock Exchange for the five trading days up to and including March 2, 2016.

The Merger Consideration was based on arm's length negotiations with Tumi and was determined by reference to, among other things, the past financial performance of Tumi, growth prospects of the relevant market/segment, strategic fit with the Group's business, potential synergies as well as the Group's assessment of how it can leverage on its strengths to maximise Tumi's future growth potential. In view of the variety of factors considered by the Company and the complexity of these factors, the Company did not find it practicable to, and did not, quantify or otherwise assign relative weights to the foregoing factors in reaching its determination and recommendations, nor was there any formula that was used by the Company to determine the Merger Consideration.

In accordance with the Delaware General Corporation Law, holders of Tumi Shares may be eligible to exercise appraisal rights for such Tumi Shares. The Dissenting Tumi Shares will not be converted into a right to receive the Merger Consideration but instead will be entitled to rights granted by the Delaware General Corporation Law to holders of Dissenting Tumi Shares, subject to certain conditions. Tumi has agreed to provide the Company with prompt written notice of any demands for appraisals of Dissenting Tumi Shares and the Company will have the opportunity to participate in negotiations and proceedings with respect to such demands.

5. Conditions

Closing of the Merger is conditional on the satisfaction (or, to the extent not prohibited by applicable law, waiver) of certain conditions as set out below (the "**Conditions**").

Conditions to the Obligations of Each Party

The obligations of each party are subject to the satisfaction (or, to the extent not prohibited by applicable law, waiver) of the following conditions:

(a) the Tumi Stockholders shall have adopted the Merger Agreement in accordance with the Delaware General Corporation Law;

(b) approval of the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger, by the Shareholders of the Company shall have been obtained in accordance with the applicable law of Luxembourg, the Articles of Incorporation and the Listing Rules;

(c) any applicable waiting period under the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976 (as amended) relating to the consummation of the Merger shall have expired or been terminated and any approvals or consents required under any other antitrust laws shall have been obtained;

(d) no court of competent jurisdiction or any governmental entity having jurisdiction over any party shall have issued any order, nor shall there be in effect any applicable law or other legal restraint, injunction or prohibition that makes consummation of the Merger illegal or otherwise prohibited; and

(e) no governmental entity in the U.S. or a jurisdiction where more than 5% of Tumi's and Tumi's subsidiaries' combined sales occur and with actual jurisdiction over the parties shall have commenced a proceeding challenging or seeking to restrain, enjoin or otherwise prohibit the consummation of the Merger or any of the other transactions contemplated by the Merger Agreement, or seeking to prohibit or limit the Company's or PTL Acquisition's ability to own, control, direct, operate or retain all or a portion of the business operated by Tumi and its subsidiaries, in each case, that would, considering the merits of the claims, available defences (procedural and substantive) and likelihood that such governmental entity ultimately will prevail, (i) create a significant risk of a restraint or injunction being imposed that prohibits consummation of the Merger or (ii) have a Tumi Material Adverse Effect or a material adverse effect on the Company's ability to acquire, own, operate and enjoy the benefit of owning and operating Tumi following the Closing.

Conditions to the Obligations of the Company and PTL Acquisition

The obligations of the Company and PTL Acquisition to consummate the Merger are further subject to the satisfaction (or, to the extent not prohibited by applicable law, waiver) of the following conditions:

(a) the representations and warranties given by Tumi contained in the Merger Agreement shall be true and correct as of the date of the Merger Agreement and as of the date of Closing (or as of another date specified in the Merger Agreement), subject to certain materiality or material adverse effect qualifications described in the Merger Agreement;

(b) Tumi shall have performed and complied in all material respects with the agreements and covenants made by it in the Merger Agreement that are required to be performed or complied with by it at or prior to Closing;

(c) since the date of the Merger Agreement, there have not been any Effects that have had or would reasonably be expected to have, individually or in the aggregate, a Tumi Material Adverse Effect;

(d) the Company shall have received a payoff letter regarding the repayment of all indebtedness of Tumi as of the date of Closing under the Existing Target Credit Agreement (as defined in *"Debt Financing"* below) and the release of any guarantees and other security given by Tumi in respect of such indebtedness subject to the delivery of funds as arranged by the Company to effect such repayment; and

(e) the Company shall have received an officer's certificate from an executive officer of Tumi regarding satisfaction of the conditions in the preceding paragraphs (a), (b) and (c).

Conditions to the Obligations of Tumi

The obligations of Tumi to consummate the Merger are further subject to the satisfaction (or, to the extent not prohibited by applicable law, waiver) of the following conditions:

(a) the representations and warranties given by the Company and PTL Acquisition contained in the Merger Agreement shall be true as of the date of Closing (or as of another date specified in the Merger Agreement), except as would not, individually or in the aggregate, prevent or have a material adverse effect on the ability of the Company or PTL Acquisition to consummate the Merger;

(b) the Company and PTL Acquisition shall have performed and complied in all material respects with the agreements and covenants made by them in the Merger Agreement that are required to be performed or complied with by them at or prior to Closing; and

(c) Tumi shall have received an officer's certificate from an executive officer of the Company regarding satisfaction of the conditions in the preceding paragraphs.

Status of the Conditions

On April 13, 2016, the Federal Cartel Office of Germany provided unconditional clearance for the Merger. On April 22, 2016, the applicable waiting period under the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976 (as amended) relating to the consummation of the Merger expired.

The Tumi Stockholders' meeting is convened to be held on July 12, 2016 for the purposes of considering and, if thought fit, adopting the Merger Agreement.

As of the Latest Practicable Date, save for Condition (c) under *"Conditions to the Obligations of Each Party"* above, which has been satisfied, none of the Conditions (including the Conditions that by their nature are to be satisfied by actions taken at Closing) has been satisfied (or, to the extent not prohibited by applicable law, waived).

6. Conduct of Business Pending the Merger

The Merger Agreement provides that, during the period commencing on the signing of the Merger Agreement and ending on the earlier of the termination of the Merger Agreement in accordance with its terms and the effective time of the Merger, except for matters (i) required by applicable law, (ii) undertaken with the prior written consent of the Company, which shall not be unreasonably withheld, conditioned or delayed or (iii) expressly required by the Merger Agreement, Tumi must, and must cause each of its subsidiaries to, conduct in all material respects its business in the ordinary course of business, consistent with past practice, and use its commercially reasonable efforts to, among other things:

(a) maintain and preserve intact its business organization, assets, technology, present lines of business, rights and franchises;

(b) keep available the services of any current or former employee, consultant, independent contractor, officer or director of Tumi or any of its subsidiaries;

(c) maintain in effect all of its material permits, licenses, consents, franchises, approval, privileges, immunities, authorizations, exemptions, registrations, certificates, variances and similar rights obtained from a governmental entity;

(d) maintain and preserve satisfactory relationships with customers, lenders, suppliers, licensors, licensees, distributors and others having material business relationships with Tumi or any of its subsidiaries; and

(e) take no action that is intended to or would reasonably be expected to adversely affect or materially delay the ability of Tumi to perform its covenants and agreements under the Merger Agreement or to consummate the transactions contemplated thereby.

7. Non-Solicitation Undertakings and Acquisition Proposals

Under the terms of the Merger Agreement, except as expressly permitted by the Merger Agreement, Tumi may not, and must cause its affiliates and its and their directors, officers and employees, and must direct and use its reasonable best efforts to cause its and their respective representatives not to, directly or indirectly:

(a) initiate, solicit, authorize or encourage, or facilitate the submission or making of, any acquisition proposal (as defined below), or any inquiry, expression of interest, proposal, offer or request for information that could reasonably be expected to lead to or result in an acquisition proposal;

(b) participate or engage in negotiations or discussions (other than for a period of four business days after the receipt of an acquisition proposal solely to the extent necessary to obtain sufficient information, ascertain facts or clarify certain terms with respect to such acquisition proposal) or furnish any information concerning Tumi or any of its subsidiaries to any third party relating to an acquisition proposal or any inquiry, expression of interest, proposal, offer or request for information that could reasonably be expected to lead to or result in an acquisition proposal;

(c) enter into any contract or other agreement or understanding (written or oral, binding or non-binding, preliminary or definitive) relating to an acquisition proposal; or

(d) resolve or agree to do any of the foregoing.

Under the Merger Agreement, an "**acquisition proposal**" means any offer or proposal (other than an offer or proposal made or submitted by or on behalf of the Company) regarding any transaction (including any single- or multi-step transaction) or series of transactions with a person or "group" (as defined in Exchange Act) relating to (i) the acquisition of at least 15% of the assets of, equity interests in, or business of Tumi, pursuant to a merger, reorganization, recapitalization, consolidation, joint venture or other business combination, sale combination, sale of shares of capital stock, sale of assets, tender offer, exchange offer or otherwise, or (ii) any combination of the foregoing types of transactions if the sum of the percentage of consolidated assets, consolidated revenues or earnings of Tumi involved is 15% or more (such transaction, an "**acquisition transaction**").

Existing Discussions or Negotiations

Under the terms of the Merger Agreement, Tumi has agreed to:

(a) immediately cease and cause to be terminated all discussions or negotiations with any person existing on March 3, 2016 with respect to any acquisition proposal, or any inquiry, expression of interest, proposal, offer or request for information that could reasonably be expected to lead to or result in an acquisition proposal;

(b) terminate access by any third party to any physical or electronic data room or other access to data or information of Tumi, in each case relating to or in connection with, any acquisition proposal or any potential acquisition transaction;

(c) request the prompt return or destruction of all information provided to any third party in the year immediately preceding the date of the Merger Agreement in connection with any inquiry, expression of interest, proposal, offer or request for information that could reasonably be expected to lead to or result in an acquisition proposal or a proposed acquisition transaction; and

(d) enforce, and not waive or modify, the provisions of any existing confidentiality or non-disclosure agreement entered into with respect to any acquisition proposal or any potential acquisition transaction, including any standstill provisions contained therein.

Tumi has also agreed to release the Company from its obligation to comply with the standstill provisions contained in the confidentiality agreement entered into between the Company and Tumi from and after March 3, 2016.

Receipt of Acquisition Proposals

If, at any time prior to the receipt of the Tumi Stockholder approval, Tumi receives an unsolicited, written bona fide acquisition proposal (which acquisition proposal was made after March 3, 2016 and did not result from a breach (other than in any immaterial respect) of the provisions of the Merger Agreement relating to Tumi's non-solicitation undertakings), Tumi, the Tumi Board and its representatives, may, subject to compliance with the applicable provision in the Merger Agreement, engage in negotiations or discussions with, or furnish any information and reasonable access to, any third party making such acquisition proposal if, and only if, the Tumi Board determines in good faith, after consultation with Tumi's outside legal counsel and outside independent financial advisors, that such acquisition proposal constitutes, or could reasonably be expected to result in, a "superior proposal" (as defined below); provided, that:

(a) prior to providing access to or furnishing any such information, Tumi (A) receives from such third party an executed acceptable confidentiality agreement or (B) if such third party is already party with Tumi to a valid and existing confidentiality agreement as of March 3, 2016, amends such existing agreement so that it is an acceptable confidentiality agreement;

(b) any such information so furnished has been previously provided to the Company or is provided to the Company substantially concurrently with it being so furnished to such third party; and

(c) Tumi gives the Company written notice of such determination promptly after the Tumi Board makes such determination (and in no event later than twenty-four hours after such determination) and in any event prior to furnishing any such information or engaging in such negotiations or discussions.

Under the Merger Agreement, a "**superior proposal**" means a bona fide written acquisition proposal (provided, that for purposes of this definition, the references to "15%" in the definition of acquisition proposal shall be deemed to be references to "75%") made by a third party that the Tumi Board determines in good faith, after consultation with Tumi's outside independent financial advisors and outside legal counsel, and considering all the terms of the acquisition proposal (including, without limitation, the legal, financial and regulatory aspects of such proposal, the identity of the third party making such proposal and the conditions for completion of such proposal), (i) is on terms that are more favorable from a financial point of view to the holders of Tumi Shares than the Merger (after giving effect to all proposed changed terms), (ii) is reasonably expected to be consummated on a timely basis and does not contain any conditionality of the third party's obligation to consummate the superior proposal that is related to the third party's completion of due diligence (for the avoidance of doubt, a right of the third party to have access to or notification of information or documents will not be deemed a due diligence closing condition) or the third party having obtained financing for the superior proposal and (iii) the financing of which is fully committed or reasonably determined in good faith by the Tumi Board to be available.

Fiduciary Exception and Adverse Recommendation Change

Except as expressly permitted by the provisions of the Merger Agreement described in the first two paragraphs immediately below, the Tumi Board may not:

(a) withdraw (or qualify or modify in any manner adverse to the Company), or publicly propose to withdraw (or so qualify or modify), its recommendation to the Tumi Stockholders that they adopt the Merger Agreement;

(b) fail to include its recommendation to the Tumi Stockholders that they adopt the Merger Agreement in Tumi's proxy statement;

(c) take any action to exempt any person (other than the Company and its affiliates) from the provisions of Section 203 of the Delaware General Corporation Law or any other "moratorium," "control share acquisition," "business combination," "fair price" or other form of anti-takeover law or regulation;

(d) fail to recommend against any acquisition proposal subject to Regulation 14D under the Exchange Act within ten business days after the commencement of such acquisition proposal or any material amendment of such acquisition proposal;

(e) approve, adopt or recommend any acquisition proposal, or propose publicly to approve, adopt or recommend, any acquisition proposal; or

(f) approve, adopt or recommend, or propose publicly to approve, adopt or recommend, or allow Tumi or any of its subsidiaries to execute or enter into any contract or other agreement or understanding, other than an acceptable confidentiality agreement with any third party constituting or relating to, or that is intended to or could reasonably be expected to lead to or result in, any acquisition proposal or acquisition transaction, or requiring, or reasonably expected to cause, Tumi to abandon, terminate, delay or fail to consummate, or that would otherwise impede, interfere with or be inconsistent with the

Merger Agreement, the merger or any of the other transactions contemplated thereby, or requiring, or reasonably expected to cause, Tumi to fail to comply with the Merger Agreement.

At any time prior to the receipt of the Tumi Stockholder approval, in the event a material development or material change in circumstances (other than relating to or in connection with an acquisition proposal, acquisition transaction or superior proposal) occurs or arises after March 3, 2016 that was not known and not reasonably foreseeable by the Tumi Board as of March 3, 2016, the Tumi Board may make a change to its recommendation to the Tumi Stockholders if and only if the Tumi Board determines in good faith, after consultation with Tumi's outside legal counsel and outside independent financial advisors, that the failure to take such action would be inconsistent with the Tumi Board's fiduciary duties to the Tumi Stockholders under applicable law; provided, that Tumi shall have provided the Company four business days' prior written notice advising the Company that it intends to take such action and specifying, in reasonable detail, the reasons for such action and:

(a) during such four business day period, if requested by the Company, Tumi must engage in good faith negotiations with the Company (and Tumi must cause its affiliates and its and their directors, officers and employees and directed and otherwise used its reasonable best efforts to cause its and their other representatives, including without limitation, its outside legal counsel and outside independent financial advisors, to have engaged in good faith negotiations with the Company and its representatives) regarding changes to the terms of the Merger Agreement; and

(b) Tumi must consider any adjustments to the Merger Agreement and any other agreements that may be proposed in writing by the Company no later than 11:59 p.m. (New York time) on the fourth business day of such four business day period and must determine in good faith (after consultation with its outside legal counsel and outside independent financial advisors) that the failure to make a change in recommendation would be inconsistent with the Tumi Board's fiduciary duties to the Tumi Stockholders under applicable law.

At any time prior to receipt of the Tumi Stockholder approval, if, in response to an unsolicited, written bona fide acquisition proposal first made after March 3, 2016 that did not result from a breach (other than in any immaterial respect) of the provisions of the Merger Agreement relating to Tumi's non-solicitation undertakings, the Tumi Board determines in good faith (after consultation with its outside legal counsel and outside independent financial advisors) that (i) such acquisition proposal constitutes a superior proposal and (ii) the failure to approve or recommend such superior proposal would be inconsistent with the Tumi Board's fiduciary duties to the Tumi Stockholders under applicable law, Tumi may terminate the Merger Agreement in accordance with the provisions of the Merger Agreement; provided, however, that Tumi may not terminate the Merger Agreement in accordance with paragraph (d)(i) under *"Termination Events"* below and this paragraph unless Tumi (x) has complied with and not breached (other than in any immaterial respect) its obligations under the provisions of the Merger Agreement relating to Tumi's non-solicitation undertakings, (y) pays, or causes to be paid, to the Company the termination fee payable pursuant to the Merger Agreement prior to or concurrently with such termination and (z) concurrently with such termination, enters into a definitive written alternative acquisition agreement that documents all the terms and conditions of such superior proposal.

Notwithstanding anything to the contrary contained in the Merger Agreement, Tumi will not be entitled to terminate the Merger Agreement pursuant to the preceding paragraph and paragraph (d)(i) under *"Termination Events"* below, unless (x) Tumi provides to the Company four business days' prior written notice advising the Company that Tumi intends to take such action (and specifying, in reasonable detail, the reasons for such action and the terms and conditions of any such superior proposal, including the identity of the third party that has made such superior proposal) and provides the Company a copy of the relevant proposed transaction agreement or the latest draft thereof or, if no such agreement or draft exists, a written summary of the material terms and conditions of such superior proposal, and any other related available documentation and correspondence relating to such superior proposal, and (y):

(a) during such four business day period, if requested by the Company, Tumi must engage in good faith negotiations with the Company (and Tumi must cause its affiliates and its and their directors, officers and employees and directed and otherwise used its reasonable best efforts to cause its and their other representatives, including without limitation, its outside legal counsel and outside independent financial advisors, to have engaged in good faith negotiations with the Company and its representatives) regarding changes to the terms of the Merger Agreement intended to cause such acquisition proposal to no longer constitute a superior proposal; and

(b) Tumi must consider any proposed changed terms proposed by the Company no later than 11:59 p.m. (New York time) on the fourth business day of such four business day period and must determine in good faith that the superior proposal would continue to constitute a superior proposal if such proposed changed terms were to be given effect.

Tumi and the Company have agreed that, (A) if the Company, within four business days following its receipt of a superior proposal notice, makes a proposal that, as determined in good faith by the Tumi Board (after consultation with its outside legal counsel and outside independent financial advisors), results in the applicable acquisition proposal no longer being a superior proposal, then Tumi will have no right to terminate the Merger Agreement as a result of such acquisition proposal, and (B) any (1) revisions to the financials terms or any other material terms of a superior proposal or (2) revisions to the financial terms or any other material terms to an acquisition proposal that the Tumi Board had determined no longer constitutes a superior proposal, will constitute a new acquisition proposal and will in each case require Tumi to deliver to the Company a new superior proposal notice and a new four business day period will commence thereafter; provided, however, that such new four business day notice period will be shortened to the longer of three business days and the time remaining on the prior notice period if the only change to the material terms of such superior proposal is an increase in (without any change to the form of) the per share merger consideration. Tumi has no right to terminate the Merger Agreement pursuant to the provisions of the Merger Agreement described in paragraph (d)(i) under *"Termination Events"* below unless it has complied with the procedures set forth in the foregoing.

Nothing contained in the Merger Agreement prohibits Tumi or the Tumi Board, directly or indirectly through their respective representatives, from (i) taking and disclosing any position or disclosing any information reasonably required under Rule 14d-9, Rule 14e-2(a) or Item 1012(a) of Regulation M-A promulgated under the Exchange Act or (ii) making any "stop, look and listen" communication to the Tumi Stockholders pursuant to Rule 14d-9(f) promulgated under the Exchange Act.

Notice of Acquisition Proposal

Under the terms of the Merger Agreement, Tumi has agreed to promptly advise the Company in writing in the event that it or any of its affiliates, any of its or its affiliates' officers, directors or employees or, to Tumi's knowledge, any of its or its affiliates' representatives receives any acquisition proposal, and in connection with such notice, provide to the Company the material terms and conditions of any such acquisition proposal. Tumi has agreed to keep the Company promptly informed in writing on a reasonably current basis of the status of, and any material changes to, the terms of any such acquisition proposal (including providing the Company a notification in writing within twenty-four hours following any determination by the Tumi Board or any material changes to the terms of any such acquisition proposal) and any discussions and negotiations concerning the material terms and conditions thereof and provide to the Company as soon as practicable after receipt thereof of any written indication of interest (or amendment thereto) or any written material received in connection therewith (or amendment thereto), including copies of any proposed alternative acquisition agreement (including any drafts thereof) and any proposed financing commitments and fee letters related thereto (including drafts thereof).

8. Termination

Termination Events

The Merger Agreement may be terminated and the Merger will not proceed (with any termination by the Company also being an effective termination by PTL Acquisition):

(a) by mutual written agreement of Tumi and the Company;

(b) by either Tumi or the Company, if:

(i) Closing has not occurred at or before 5:00 p.m. (New York time) on December 31, 2016, provided that if certain conditions as set out in the Merger Agreement have been satisfied, either Tumi or the Company may extend the date of Closing to no later than 5:00 p.m. (New York time) on March 3, 2017;

(ii) the required Tumi Stockholder adoption of the Merger Agreement is not obtained at the Tumi Stockholder meeting or at any adjournment or postponement thereof, in each case, at which a vote on such adoption was taken;

(iii) the required Shareholder approval of the Company for the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger, is not obtained at the General Meeting or at any adjournment or postponement thereof, in each case, at which a vote on such approval was taken; or

(iv) any court of competent jurisdiction or any governmental entity shall have issued a final, non-appealable order or taken any other action, in each case permanently restraining, enjoining or otherwise prohibiting the Merger, or any applicable law shall be in effect that makes consummation of the Merger illegal or otherwise prohibited; or

(c) by the Company, if:

(i) prior to the receipt of the required Tumi Stockholder approval, (A) the Tumi Board (or any committee thereof) shall have failed to include its recommendation in its proxy statement or shall have otherwise effected a change in its recommendation to the Tumi Stockholders under the Merger Agreement, (B) Tumi enters into an alternative acquisition agreement for a superior proposal, (C) Tumi shall have violated or breached (or be deemed pursuant to the terms thereof, to have violated or breached) in any material respect any provision in the Merger Agreement in respect of covenants relating to alternative proposals for the acquisition of Tumi and the obtaining of the Tumi Stockholder approval or (D) Tumi shall have violated or breached the covenant in the Merger Agreement in relation to the obtaining of Tumi Stockholders approval in a manner that has a material adverse impact on the timing of, or the ability to obtain, the requisite Tumi Stockholder approval; or

(ii) Tumi shall have breached or failed to perform in any material respect any of its covenants or other agreements contained in the Merger Agreement or any representation or warranty of Tumi contained in the Merger Agreement shall not be true and correct, subject to materiality provisions and cure periods, provided however, that the Company may not terminate the Merger Agreement pursuant to this paragraph if, at the time of such termination, the Company or PTL Acquisition is in material breach of the Merger Agreement; or

(d) by Tumi, if:

(i) prior to the receipt of the required Tumi Stockholder approval, in order to concurrently enter into a definitive alternative acquisition agreement concerning a transaction that constitutes a superior proposal in accordance with the Merger Agreement; provided, that Tumi (A) pays the Termination Fee (as defined below) to the Company and (B) concurrently with such termination, enters into such definitive alternative acquisition agreement;

(ii) the Company shall have breached or failed to perform in any material respect any of its covenants or other agreements contained in the Merger Agreement or any representation or warranty of the Company contained in the Merger Agreement shall not be true and correct, subject to materiality provisions and cure periods, provided however, that Tumi may not terminate the Merger Agreement pursuant to this paragraph if, at the time of such termination, Tumi is in material breach of the Merger Agreement; or

(iii) prior to the receipt of the required Company Shareholder approval, (A) the Board (or any committee thereof) shall have failed to include its recommendation in this circular or shall have otherwise effected a change in recommendation due to its fiduciary duties under applicable law or (B) the Company shall have violated or breached the covenant in the Merger Agreement relating to the obtaining of the Company Shareholder approval in a manner that has a material adverse impact on the timing of, or the ability to obtain, the requisite Company Shareholder approval.

Termination Fee Payable by Tumi

If the Merger Agreement is terminated by:

(1) the Company pursuant to paragraph (c)(ii) above or the Company or Tumi pursuant to paragraph (b)(i) or (b)(ii) above, and in any case (x) prior to the date of such termination

(or the date of the Tumi Stockholder meeting in the case of termination pursuant to paragraph (b)(ii) above), an acquisition proposal or an intention to make an acquisition proposal shall have been communicated to the management of Tumi or the Tumi Board or shall have been publicly disclosed and (y) within 15 months after such termination, (I) Tumi enters into a definitive agreement with respect to any acquisition proposal with a third party that is thereafter consummated or (II) Tumi consummates the transactions contemplated by any acquisition proposal with a third party, which, in the case of (I) or (II), need not be the same acquisition proposal described in sub-paragraph (x) above;

(2) Tumi pursuant to paragraph (d)(i) above;

(3) the Company pursuant to paragraph (c)(i) above (but only in circumstances where the Company does not have a right to terminate pursuant to paragraph (b)(ii) above); or

(4) either Tumi or the Company pursuant to paragraph (b)(ii) above,

then Tumi must pay to the Company an amount equal to, in the case of paragraph (1), (2) or (3) above, US$54,700,000, or in the case of paragraph (4) above, US$13,700,000 (each such applicable amount, the "**Termination Fee**"); provided, however, that any payment of the Termination Fee payable in accordance with paragraph (4) above will not affect the Company's right to receive any Termination Fee otherwise due under paragraph (1) above, but will reduce, on a dollar for dollar basis, any Termination Fee that subsequently becomes due and payable under paragraph (1) above.

Termination Fee Payable by the Company

If the Merger Agreement is terminated by Tumi pursuant to paragraph (d)(iii) above (but only in circumstances where Tumi does not have a right to terminate pursuant to paragraph (b)(iii) above), the Company must pay to Tumi an amount equal to US$18,200,000. If the Merger Agreement is terminated by Tumi or the Company pursuant to paragraph (b)(iii) above, the Company must pay to Tumi an amount equal to US$13,700,000.

The amount of the termination fees payable by either party was determined through arm's length negotiations between the parties after considering a variety of factors, including each party's views on market practice for termination fees payable in similar contexts and the amounts that would be reasonable under the circumstances. After consultations with their respective advisors, the parties considered that, in acquisitions of publicly traded companies organized under Delaware law, such as Tumi, market practice for the amount of termination fees payable by a party upon a failure of its shareholders' meeting to approve a business combination transaction were generally not in excess of 1.0% of the fully diluted equity value of the proposed transaction and that termination fees payable upon a termination by the target company to accept a superior proposal were generally in the range of 3% to 4% of the fully diluted equity value of the proposed transaction. In addition, in the case of the termination fee payable by either party upon a failure of its shareholders to approve the Merger, the parties considered the objective of having a fee that would not be coercive of these shareholder votes and, in the case of the Termination Fee payable by Tumi in connection with its termination of the Merger Agreement to accept a superior proposal, the parties considered the objective of having a fee that would not preclude such a superior proposal. The parties further considered, after consultations with their respective advisors, that the termination fees for the Merger were not in excess of the aforementioned ranges based on market practice and that the amount of these fees, when taken in the context of the value of the Merger, was not significant enough to be inconsistent with these objectives.

9. Delisting of Tumi Shares from the New York Stock Exchange

Prior to Closing, Tumi will cooperate with the Company and use reasonable best efforts to take such actions which are reasonably necessary to enable the delisting by Tumi of the Tumi Shares from the New York Stock Exchange and the deregistration of the Tumi Shares under the Exchange Act as promptly as practicable after the Closing (if such delisting and deregistration have not occurred at or prior to Closing).

10. Closing

Subject to the satisfaction or waiver of the Conditions, Closing is expected to take place on the fourth business day after the satisfaction or waiver of all Conditions or, if later, the fourth business day after the marketing period during which the debt financing arrangements described below will be marketed concludes. It is currently expected that Closing will occur in the second half of 2016.

D. DEBT FINANCING

As contemplated under the Merger Agreement, part of the Total Consideration is expected to be funded by way of committed debt financing which will be made available to the Company and/or certain of its subsidiaries pursuant to a commitment letter entered into by the Company with certain lenders and financial institutions, which has been replaced by a credit agreement entered into by PTL Acquisition and certain lenders and financial institutions dated May 13, 2016 (the "**Credit Agreement**"). Such debt financing has been arranged by Morgan Stanley Senior Funding, Inc., HSBC Securities (USA) Inc., SunTrust Robinson Humphrey, Inc., The Bank of Tokyo-Mitsubishi UFJ, Ltd., Barclays Bank PLC, Citizens Bank, N.A., ING Belgium SA/NV, Fifth Third Bank and Bank of China Limited (the "**Lead Arrangers**"). The Credit Agreement provides an aggregate principal amount of US$2,425 million, which consists of US$500 million in commitments for revolving loans (the "**Revolving Facility**") and US$1,925 million in new term loan credit facilities, consisting of US$675 million of a Term Loan B tranche (the "**Term Loan B Facility**") and US$1,250 million of a Term Loan A tranche (the "**Term Loan A Facility**" and together with the Term Loan B Facility, the "**Term Loan Facilities**"; the Term Loan Facilities, together with the Revolving Facility, the "**Senior Credit Facilities**"). The proceeds of the borrowings under the Term Loan B Facility have been funded and deposited into an escrow account on May 13, 2016 (New York Time) and are being held in escrow prior to Closing.

Concurrently with Closing, the Company plans (a) to terminate and pay in full amounts outstanding under (i) the second amended and restated credit agreement, dated as of June 17, 2014, by and among the Company, HSBC Bank USA, National Association, as administrative agent, and the lenders and other parties thereto (the "**Existing Credit Agreement**") and (ii) the amended and restated credit and guaranty agreement, dated as of April 4, 2012, by and among Tumi, certain subsidiaries of Tumi and Wells Fargo Bank, National Association, as collateral agent, and the lenders and other parties thereto (the "**Existing Target Credit Agreement**" and, together with the Existing Credit Agreement, the "**Existing Senior Credit Facilities**") and (b) for the Company and certain of its subsidiaries to join the Credit Agreement as borrowers and guarantors, for the Term Loan B Facility to be released from escrow and for the Term Loan A Facility to be funded.

Certain details of the proposed Senior Credit Facilities are set out below:

Maturity:	Not more than five years with regard to the Revolving Facility and the Term Loan A Facility and not more than seven years with regard to the Term Loan B Facility.
Interest rate:	In respect of the Term Loan B Facility, interest on the aggregate principal amount of the Term Loan B Facility is expected to have begun to accrue from the date that the Term Loan B Facility was funded into escrow and shall be payable quarterly in arrears. The Term Loan B Facility shall accrue interest at a rate equal to an adjusted rate based on the London Interbank Offered Rate ("**LIBOR**") plus 3.25% per annum (or a base rate plus 2.25% per annum). In respect of the Term Loan A Facility and Revolving Facility, interest shall begin to accrue on Closing. The interest rates for the Revolving Facility and the Term Loan A Facility will initially be an adjusted rate based on LIBOR plus 2.75% per annum (or a base rate plus 1.75% per annum) and thereafter shall be based on the total net leverage ratio of the Company and its restricted subsidiaries.
Use of proceeds:	The proceeds of the Senior Credit Facilities will be used to pay the Total Consideration, to repay the Existing Senior Credit Facilities and to pay fees, costs and expenses related to the foregoing transactions and for general corporate purposes.
Guarantee:	Upon Closing, the Senior Credit Facilities are expected to be guaranteed by each borrower and certain subsidiaries of the Company.
Financial covenants:	Following Closing, the Senior Credit Facilities will require the Company and its restricted subsidiaries to, among other things, meet certain quarterly financial covenants. Commencing with the fiscal quarter ending December 31, 2016, the Company and its restricted subsidiaries will be required to maintain (i) a pro forma total net leverage ratio of not greater than 4.75:1.00, which threshold will decrease to 4.50:1.00 for test periods in 2018, 4.25:1.00 for test periods in 2019 and 4.00:1.00 for test periods in 2020, and (ii) a pro forma interest coverage ratio of not less than 3.25:1.00.

In order to partially mitigate the risk of interest rate fluctuations under the Senior Credit Facilities, a wholly-owned subsidiary of the Company has entered into interest rate swaps with Morgan Stanley Capital Services LLC and Bank of America, N.A., which will, contingent upon Closing, take effect on December 31, 2016. The effect of such swaps is that, for a period of five years beginning December 31, 2016, LIBOR will be fixed at approximately 1.30% with respect to the interest that accrues on approximately 65% of the outstanding principal amount under the Term Loan Facilities. In the event that Closing does not occur, the swaps will terminate and the Company's subsidiary party thereto will not have any obligations thereunder.

E. INFORMATION ON THE GROUP

The Group is the world's best known and largest lifestyle bag and travel luggage company, with a heritage dating back more than 100 years. The Group is principally engaged in the design, manufacture, sourcing and distribution of luggage, business and computer bags, outdoor and casual bags, travel accessories and slim protective cases for personal electronic devices throughout the world, primarily under the Samsonite®, American Tourister®, Hartmann®, High Sierra®, Gregory®, Speck® and Lipault® brand names as well as other owned and licensed brand names. The Group's core brand, Samsonite, is one of the most well-known travel luggage brands in the world.

The Group sells its products through a variety of wholesale distribution channels, through its company-operated retail stores and through e-commerce. Its principal wholesale distribution customers are department and specialty retail stores, mass merchants, catalog showrooms and warehouse clubs. The Group sells its products in Asia, North America, Europe and Latin America. As of December 31, 2015, the Group's products were sold in over 100 countries.

F. INFORMATION ON TUMI

Founded in 1975, Tumi is a leading global premium lifestyle brand offering a comprehensive line of business bags, travel luggage and accessories. The brand is consistently recognized as "best in class" for the high quality, durability, functionality and innovative design of its products, which range from its iconic black ballistic business cases and travel luggage synonymous with the modern business professional, to travel accessories, women's bags and outdoor apparel.

As of December 31, 2015, the Tumi brand was sold in approximately 2,000 points of distribution from New York to Paris to London and Tokyo, as well as in the world's top department, specialty and travel retail stores in over 75 countries. The Tumi Shares are traded on the New York Stock Exchange under the symbol "TUMI".

Set out below is selected consolidated financial information of Tumi derived from Tumi's published audited historical consolidated financial statements, which have been prepared in accordance with U.S. GAAP:

	For the year ended December 31,		
(in US$ thousands)	**2013**	**2014**	**2015**
Net sales	467,438	527,194	547,655
Income before income taxes	86,108	93,839	97,453
Net income	54,559	58,009	63,013

	As of December 31,		
(in US$ thousands)	**2013**	**2014**	**2015**
Net asset value	367,998	426,883	480,846

For the year ended December 31, 2015, Tumi's net sales were approximately US$547.7 million, representing a year on year increase of 4%. North America accounted for 68% of Tumi's 2015 net sales, with Asia Pacific accounting for 17%, Europe, Middle East and Africa accounting for 14% and Latin America accounting for the remaining 1% of net sales. Tumi has historically achieved strong growth in net sales with a compound annual growth rate of 17% from 2010 to 2015 and highly attractive EBITDA margins at and over 20% during the same period.

G. FINANCIAL EFFECTS OF THE MERGER ON THE GROUP

Upon Closing, Tumi will become an indirect wholly-owned subsidiary of the Company and its results will be consolidated with that of the Group.

As set out in Tumi's audited financial statements for the financial year ended December 31, 2015, the net sales and net income of Tumi were approximately US$547.7 million and US$63.0 million, respectively. On this basis, the Directors expect that the Merger would have a positive impact on the Group's net sales and earnings following Closing.

Appendix III to this circular sets out certain unaudited pro forma financial information of the Enlarged Group, which illustrates the financial effects of the Merger (including the debt financing for the Merger) on the assets and liabilities of the Group assuming Closing had taken place on December 31, 2015.

As set out in Appendix III to this circular, as a result of the Merger (including the debt financing for the Merger):

(a) the total assets of the Group would increase from approximately US$2,215.8 million to approximately US$4,128.7 million for the Enlarged Group;

(b) the total liabilities of the Group would increase from approximately US$816.5 million to approximately US$2,765.3 million for the Enlarged Group; and

(c) the gearing ratio of the Group, calculated as total loans and borrowings (excluding deferred financing costs) divided by total equity, would increase from approximately 4.6% to 142.3%.

The Directors are of the view that the Merger (including the debt financing for the Merger) is not expected to have any material adverse impact on the financial position of the Group. The Directors are also of the view that, taking into account the scheduled payment obligations under the Senior Credit Facilities and the expected cash flows of the Enlarged Group, the Enlarged Group will be able to meet its scheduled payment obligations under the Senior Credit Facilities. In addition, as set out in "*Working Capital*" in Appendix I to this circular, the Directors are of the opinion that the Enlarged Group will have sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

Shareholders should note that the earnings contribution from Tumi after Closing will depend on the future performance of Tumi, and the actual effect of the Merger (including the debt financing for the Merger) on the assets and liabilities of the Group will depend on the financial position of Tumi as of the date of Closing, which cannot be quantified as of the Latest Practicable Date. The unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group and the Enlarged Group at any future date.

H. IMPLICATIONS OF THE MERGER UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as set out and calculated under Rule 14.07 of the Listing Rules) in respect of the Merger is more than 25% but all are less than 100%, the Merger constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

I. WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

Pursuant to Rule 14.67(6)(a)(i) of the Listing Rules, the Company is required to include in this circular an accountants' report on Tumi prepared in accordance with Chapter 4 of the Listing Rules. The accountants' report must include the financial information of Tumi for each of the three financial years ended December 31, 2015 prepared using accounting policies which should be materially consistent with those adopted by the Company.

Tumi is listed on the New York Stock Exchange. In accordance with the rules and regulations of the U.S. Securities and Exchange Commission (the "**SEC**"), Tumi's published audited annual financial statements and its published unaudited quarterly financial information have been prepared in accordance with U.S. GAAP. Tumi's financial statements for the financial year ended December 31, 2015 have been audited by Tumi's auditors, Deloitte & Touche LLP, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("**PCAOB**"). Tumi's financial statements for each of the financial years ended December 31, 2013 and 2014 were audited by Grant Thornton LLP in accordance with the standards of PCAOB. Tumi's quarterly financial information is also reviewed prior to its publication as required by SEC regulations.

Each of Grant Thornton LLP and Deloitte & Touche LLP is a firm with international name and reputation and is registered with the PCAOB.

The Company's financial statements are prepared in accordance with IFRS. Complying with the strict requirements of Rule 14.67(6)(a)(i) of the Listing Rules in having to produce an accountants' report on Tumi in this circular would be unduly burdensome and would create practical difficulties as this would require Tumi and its auditors to undertake a considerable amount of work to convert Tumi's financial information for each of the three financial years ended December 31, 2015 from U.S. GAAP to IFRS. This would have significant timing, resource and cost implications for both Tumi and the Company.

In replacement of an accountants' report on Tumi, the following disclosure has been included in this circular:

(a) the audited financial information on Tumi for the financial years ended December 31, 2013, 2014 and 2015 prepared in accordance with U.S. GAAP, including the management discussion and analysis, extracted from the annual reports of Tumi for each of such years, as set out in "*Published Financial Information of the Tumi Group of Each of the Three Years Ended December 31, 2013, 2014 and 2015 and the Three Months Ended March 27, 2016*" and "*Management Discussion and Analysis of Tumi*" in Appendix II to this circular;

(b) a summary of the material differences between the accounting policies adopted by Tumi (under U.S. GAAP) and the accounting policies adopted by the Company (under IFRS), including a line-by-line reconciliation of the consolidated income statements, consolidated statements of comprehensive income and consolidated balance sheets, addressing the material differences, other than presentational differences, which would have a significant effect on Tumi's financial information referred to in paragraph (a) above had it been prepared in accordance with the accounting policies adopted by the Company under IFRS (the "**Reconciliation**"). The Reconciliation is reported on by Deloitte Touche Tohmatsu in Hong Kong in accordance with Hong Kong Standard of

Assurance Engagements 3000, as set out in "*Differences between the Accounting Policies Adopted by the Company (IFRS) and Tumi (U.S. GAAP)*" in Appendix II to this circular; and

(c) supplemental financial information of Tumi for the financial years ended December 31, 2013, 2014 and 2015 (the "**Supplemental Financial Information**") which is required for an accountants' report under the Listing Rules but not disclosed in the published financial information of Tumi, excluding the information required under Listing Rule 4.08(3) (which requires the accountants' report to state that it has been prepared in accordance with the Auditing Guideline – Prospectuses and the reporting accountant (Statement 3.340) issued by the Hong Kong Institute of Certified Public Accountants), as set out in "*Supplemental Financial Information of the Tumi Group*" in Appendix II to this circular.

The Directors consider that the published financial information in relation to Tumi reproduced in this circular, when taken together with the related management discussion and analysis, the Reconciliation and the Supplemental Financial Information, will afford Shareholders with all material information necessary to assess the financial performance of Tumi throughout the periods presented, such information being broadly commensurate in all material respects to the disclosure that would otherwise have been provided if an accountants' report on Tumi had been produced under Rule 14.67(6)(a)(i) of the Listing Rules.

Accordingly, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 14.67(6)(a)(i) of the Listing Rules such that the Company is not required to include an accountants' report on Tumi in this circular.

J. RECOMMENDATION OF THE BOARD

Having taken into account the reasons for, and benefits of, the Merger as set out above, the Directors have unanimously approved, among other things, the Merger and recommend the Shareholders to vote in favour of the resolution to be proposed at the General Meeting to approve the Merger Agreement, the transactions contemplated by the Merger Agreement, including the Merger, the debt financing as well as the guarantees and security to be granted in that respect.

K. GENERAL MEETING

The General Meeting will be convened and held for the purpose of considering and, if thought fit, approving the Merger Agreement, the transactions contemplated by the Merger Agreement, including the Merger, the debt financing as well as the guarantees and security to be granted in that respect. The notice of the General Meeting is set out on pages N-1 and N-2 of this circular.

Under the Hong Kong Listing Rules, all Shareholders who have a material interest (which is different from that of all other Shareholders) in the Merger Agreement, any of the transactions contemplated by the Merger Agreement, including the Merger, the debt financing as well as the guarantees and security to be granted in that respect and their associates (as defined in the Listing Rules) will be required to abstain from voting on the resolution to approve the Merger Agreement, the transactions contemplated by the Merger Agreement, including the Merger, the debt financing as well as the guarantees and security to be granted in that respect at the General Meeting.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolution to approve the Merger Agreement, the transactions contemplated by the Merger Agreement, including the Merger, the debt financing as well as the guarantees and security to be granted in that respect at the General Meeting.

Pursuant to the Listing Rules and Article 13.5 of the Articles of Incorporation, any vote of Shareholders at a general meeting must be taken by poll. An announcement on the poll vote results will be published by the Company after the General Meeting in the manner prescribed under Rule 13.39(5) of the Listing Rules.

A form of proxy for use at the General Meeting is enclosed with this circular and such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.samsonite.com). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or to the Company's registered office at 13–15 Avenue de la Liberté, L-1931 Luxembourg as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the General Meeting or any adjournment thereof.

Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the General Meeting if they so wish.

L. ADDITIONAL INFORMATION

Morgan Stanley Asia Limited acted as financial advisor to the Company on the Merger.

Your attention is drawn to the additional information set out in Appendices I to IV to this circular.

Shareholders and potential investors in the Company should note that the consummation of the Merger is subject to the fulfilment of certain conditions, including, among other things, the approval of the Shareholders of the Company and the approval of the Tumi Stockholders, and that the Merger Agreement may be terminated in certain circumstances. Accordingly, there is no assurance that the Merger will be completed. Shareholders and potential investors in the Company should exercise caution when dealing in the Shares.

Yours faithfully,
For and on behalf of the Board
Timothy Charles Parker
Chairman

A. FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2013, 2014 AND 2015

Financial information of the Group for each of the three years ended December 31, 2013, 2014 and 2015 is disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.samsonite.com) and can be accessed at the website addresses below:

- Annual report of the Company for the year ended December 31, 2013 published on April 24, 2014 (pages 94 to 175)

  http://www4.samsonite.com/_investordocs/20140424051856_E_Samsonite%20International%20SA%202013%20Annual%20Report%2020140424.pdf

- Annual report of the Company for the year ended December 31, 2014 published on April 24, 2015 (pages 102 to 187)

  http://www4.samsonite.com/_investordocs/20150424134154_E_2014%20Annual%20Report%20-%20FINAL%20(2015-04-24).pdf

- Annual report of the Company for the year ended December 31, 2015 published on April 22, 2016 (pages 123 to 215).

  http://www4.samsonite.com/_investordocs/20160422001507_E_Samsonite%202015%20Annual%20Report%20(FINAL%202016-04-22).pdf

B. INDEBTEDNESS STATEMENT

Borrowings

As of the close of business on April 30, 2016, being the latest practicable date for the purpose of this statement of indebtedness, the Enlarged Group had outstanding loans and borrowings of approximately US$64.9 million, which comprised (i) bank loans of approximately US$59.0 million, of which approximately US$43.4 million were secured, approximately US$15.5 million were unsecured and approximately US$41.7 million were guaranteed by certain subsidiaries of the Enlarged Group and (ii) other loans and borrowings of approximately US$5.9 million, of which approximately US$0.1 million were secured, approximately US$5.8 million were unsecured and none was guaranteed.

Pledge of assets

As of the close of business on April 30, 2016, the Enlarged Group had pledged assets with aggregate carrying values of approximately US$2,036.1 million, of which approximately US$2,036.0 million and US$0.1 million were pledged as collateral for bank loans and other loans and borrowings, respectively.

Contingent liabilities and guarantees

As of the close of business on April 30, 2016, the Enlarged Group did not have any material contingent liabilities, the results of which would have a material adverse impact on its financial results.

Save as disclosed above and apart from intra-group liabilities and guarantees, as of the close of business on April 30, 2016, the Enlarged Group did not have any outstanding loan capital, bank overdrafts, loans, mortgages, charges or other similar indebtedness, hire purchase or finance lease commitments, liabilities under acceptances or acceptance credits, guarantees or other material contingent liabilities.

C. WORKING CAPITAL

The Directors are of the opinion that, following Closing and in the absence of unforeseeable circumstances, after taking into account the Enlarged Group's business prospects, internal resources and available credit facilities, the Enlarged Group will have sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

D. NO MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since December 31, 2015, the date to which the latest published audited consolidated financial statements of the Group were made up.

E. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Merger will create a leading global travel lifestyle company by bringing together Tumi, an iconic North American purveyor of premium business bags, travel luggage and accessories, with the Group, the world's best known and largest lifestyle bag and travel luggage company. The Group's broad global retail and wholesale distribution network and its strengths in sourcing, technical innovation and localisation of products will allow it to introduce the Tumi brand to millions of new customers in additional existing markets worldwide. This includes expansion of Tumi in Asia, Europe and Latin America, strengthening its platform in North America and leveraging the Group's clear strength in hardside innovation to expand Tumi's hardside luggage offering.

In turn, Tumi will reinforce the Group's strong platform for long-term growth and profitability. Tumi is a highly profitable business and the Enlarged Group is expected to generate significant free cash flow to fund operations and service debt while continuing to make cash distributions to Shareholders.

The Merger creates potential for significant operational and volume-growth synergies. This includes cost savings in key areas such as sourcing, logistics, sales and marketing, distribution, retail and general and administrative costs, as well as potential volume-growth synergies resulting from the Enlarged Group's enhanced and complementary product development and global reach.

The Enlarged Group's growth strategy will continue as planned, with a focus on the following:

(a) continue to develop the Enlarged Group into a well-diversified multi-brand, multi-category and multi-channel luggage, bag and accessories business;

(b) tactfully deploy multiple brands to operate at wider price points and broader consumer demographics in each category;

(c) increase the proportion of sales from the retail channel by growing e-commerce sales and through targeted expansion of its retail presence;

(d) continue to invest in the Enlarged Group's brands with sustained research and development spending to produce exciting and innovative new products as well as new materials, supported by effective marketing spend to drive awareness among consumers; and

(e) focus on integrating Tumi into the Group's existing business and to begin to realize anticipated synergies.

A. PUBLISHED FINANCIAL INFORMATION OF THE TUMI GROUP OF EACH OF THE THREE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015 AND THE THREE MONTHS ENDED MARCH 27, 2016

*For the purpose of this section only, unless the context requires otherwise, references to the "**Company**", "**we**", "**us**" and "**our**" refer to Tumi and references to "**$**" refer to US$.*

1. The following is an extract of the audited financial statements of the Tumi Group for the year ended December 31, 2013, which were prepared in accordance with U.S. GAAP, from the 2013 annual report of Tumi.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
(In thousands, except share and per share data)

	At December 31,	
	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 37,613	$ 36,737
Accounts receivable, less allowance for doubtful accounts of approximately $477 and $340 at December 31, 2013 and 2012, respectively	28,992	21,405
Other receivables	2,914	1,666
Inventories, net	79,969	70,866
Prepaid expenses and other current assets	6,878	3,233
Prepaid income taxes	—	384
Deferred tax assets, current	5,347	3,851
Total current assets	161,713	138,142
Property, plant and equipment, net	60,871	47,004
Deferred tax assets, noncurrent	2,124	2,158
Joint venture investment	1,960	2,718
Goodwill	142,773	142,773
Intangible assets, net	130,673	130,946
Deferred financing costs, net of accumulated amortization of $2,923 and $2,758 at December 31, 2013 and 2012, respectively	536	701
Other assets	5,837	4,799
Total assets	$506,487	$469,241

The accompanying notes are an integral part of these consolidated financial statements.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets (continued)
(In thousands, except share and per share data)

	At December 31, 2013	At December 31, 2012
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 33,938	$ 27,366
Accrued expenses	32,120	29,503
Income taxes payable	4,680	—
Total current liabilities	70,738	56,869
Revolving credit facility	8,000	45,000
Other long-term liabilities	8,556	7,271
Deferred tax liabilities	51,195	49,016
Total liabilities	138,489	158,156
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Common stock—$0.01 par value; 350,000,000 shares authorized, 68,144,473 shares issued and 67,866,667 shares outstanding as of December 31, 2013 and 2012	681	681
Preferred stock—$0.01 par value; 75,000,000 shares authorized and no shares issued or outstanding as of December 31, 2013 and 2012	—	—
Additional paid-in capital	310,554	308,545
Treasury stock, at cost	(4,874)	(4,874)
Retained earnings	61,725	7,166
Accumulated other comprehensive loss	(88)	(433)
Total stockholders' equity	367,998	311,085
Total liabilities and stockholders' equity	$506,487	$469,241

The accompanying notes are an integral part of these consolidated financial statements.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Operations
(In thousands, except share and per share data)

	For the Years Ended December 31,		
	2013	2012	2011
Net sales	$ 467,438	$ 398,551	$ 329,968
Cost of sales	198,593	170,092	140,954
Gross margin	268,845	228,459	189,014
OPERATING EXPENSES			
Selling	28,875	24,929	21,957
Marketing	17,373	13,713	13,377
Retail operations	98,720	81,379	67,465
General and administrative	37,514	36,762	25,782
Total operating expenses	182,482	156,783	128,581
Operating income	86,363	71,676	60,433
OTHER INCOME (EXPENSES)			
Interest expense	(733)	(1,392)	(2,423)
Dividend expense on mandatorily redeemable preferred stock and preferred equity interests	—	(7,892)	(22,857)
Earnings from joint venture investment	184	845	587
Foreign exchange gains (losses)	388	(287)	(61)
Other non-operating income (expenses)	(94)	554	267
Total other expenses	(255)	(8,172)	(24,487)
Income before income taxes	86,108	63,504	35,946
Provision for income taxes	31,549	26,721	19,354
Net income	$ 54,559	$ 36,783	$ 16,592
Weighted average common shares outstanding:			
Basic	67,866,667	63,304,838	52,536,224
Diluted	67,870,688	63,304,948	52,536,224
Basic earnings per common share	$ 0.80	$ 0.58	$ 0.32
Diluted earnings per common share	$ 0.80	$ 0.58	$ 0.32

The accompanying notes are an integral part of these consolidated financial statements.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income
(In thousands)

	For the Years Ended December 31,		
	2013	2012	2011
Net income	$54,559	$36,783	$16,592
OTHER COMPREHENSIVE INCOME			
Foreign currency translation adjustment, net of tax	345	552	187
Comprehensive income	$54,904	$37,335	$16,779

The accompanying notes are an integral part of these consolidated financial statements.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statement of Changes in Stockholders' Equity
(In thousands, except share data)

	Common Stock							
	Shares	Par Value	Shareholder Loans	Additional Paid-in Capital	Treasury Stock	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total
Balance as of January 1, 2011	52,536,252	$525	$(247)	$ 48,968	$ (174)	$(46,209)	$(1,172)	$ 1,691
Net income	—	—	—	—	—	16,592	—	16,592
Shareholder loans	—	—	247	—	—	—	—	247
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	187	187
Balance as of December 31, 2011	52,536,252	525	—	48,968	(174)	(29,617)	(985)	18,717
Net income	—	—	—	—	—	36,783	—	36,783
Issuance of common stock, net of underwriters' discounts and commissions	15,608,221	156		263,935	—	—	—	264,091
Offering costs—other				(4,410)				(4,410)
Share-based compensation				42				42
Repurchase of common stock					(4,700)			(4,700)
Short swing profit recovery				10				10
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	552	552
Balance as of December 31, 2012	68,144,473	681	—	308,545	(4,874)	7,166	(433)	311,085
Net income	—	—	—	—	—	54,559	—	54,559
Share-based compensation				2,009				2,009
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	345	345
Balance as of December 31, 2013	68,144,473	$681	$ —	$310,554	$(4,874)	$ 61,725	$ (88)	$367,998

The accompanying notes are an integral part of these consolidated financial statements.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(In thousands)

	For the Years Ended December 31,		
	2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 54,559	$ 36,783	$ 16,592
Adjustments to reconcile net income to net cash provided by operating activities			
Deferred income tax benefit	483	(698)	(1,815)
Depreciation and amortization	14,187	11,504	10,089
Share-based compensation expense	2,009	42	—
Amortization of deferred financing costs	165	218	491
Allowance for doubtful accounts	137	(122)	92
Earnings from joint venture	(184)	(845)	(587)
Loss on disposal of fixed assets	261	422	10
Dividend expense on mandatorily redeemable preferred stock and preferred equity interests	—	7,892	22,857
Other non-cash charges	482	742	(141)
Changes in operating assets and liabilities			
Accounts receivable	(7,882)	1,638	(7,713)
Other receivables	(1,213)	70	(754)
Inventories	(8,773)	(10,290)	(8,662)
Prepaid expenses and other current assets	(3,606)	(167)	(847)
Other assets	(861)	1,005	1,687
Prepaid income taxes	384	(384)	—
Accounts payable	5,921	(383)	4,498
Accrued expenses	606	3,914	4,101
Income tax payable	4,680	(4,336)	(765)
Other liabilities	1,257	1,002	883
Total adjustments	8,053	11,224	23,424
Net cash provided by operating activities	62,612	48,007	40,016
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(24,836)	(20,853)	(14,542)
Net cash used in investing activities	(24,836)	(20,853)	(14,542)

The accompanying notes are an integral part of these consolidated financial statements.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (continued)
(In thousands)

	For the Years Ended December 31,		
	2013	2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments on revolving credit facility	$(37,000)	$ (19,000)	$ —
Payments of long-term debt	—	—	(12,000)
Proceeds from issuance of common stock, net of underwriters' discounts and commissions	—	264,091	—
Payment for repurchase of preferred shares and preferred equity interests	—	(259,321)	—
Repurchase of common stock	—	(4,700)	—
Payments received on stockholder loans	—	—	247
Payments for initial public offering costs	—	(4,272)	(138)
Short swing profit recovery	—	10	—
Net cash used in financing activities	(37,000)	(23,192)	(11,891)
Effect of exchange rate changes on cash	100	40	(57)
Net increase in cash and cash equivalents	876	4,002	13,526
Cash and cash equivalents at beginning of period	36,737	32,735	19,209
Cash and cash equivalents at end of period	$ 37,613	$ 36,737	$ 32,735
Supplemental disclosures of cash flow information:			
Noncash investing activity—property, plant and equipment obligations	$ 7,059	$ 4,224	$ 2,170
Cash paid for interest	$ 320	$ 885	$ 1,738
Cash paid for income taxes	$ 26,441	$ 31,947	$ 21,980

The accompanying notes are an integral part of these consolidated financial statements.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

Tumi Holdings, Inc. (together with its subsidiaries, the "Company") is a leading designer, producer and marketer of a comprehensive line of travel and business products and accessories in multiple categories. Prior to the Company's initial public offering (the "IPO") in April 2012, the Company also included its controlled affiliate, Tumi II, LLC (the "LLC"). In connection with the IPO, the LLC was merged with and into Tumi Holdings, Inc., with Tumi Holdings, Inc. continuing as the surviving corporation. The Company's product offerings include travel bags, business cases, totes, handbags, business and travel accessories and small leather goods. The Company designs its products for, and markets its products to, sophisticated professionals, frequent travelers and brand-conscious individuals who enjoy the premium status and durability of Tumi products. The Company sells its products through a network of company-owned full-price stores and outlet stores, partner stores, concessions, shop-in-shops, specialty luggage shops, high-end department stores and e-commerce distribution channels. The Company has approximately 1,900 points of distribution in over 75 countries, and its global distribution network is enhanced by the use of its three logistics facilities located in the United States, Europe and Asia. The Company designs its products in its U.S. design studios and selectively collaborates with well-known, international, industrial and fashion designers for limited edition product lines. Production is sourced globally through a network of suppliers based in Asia, many of which are longtime suppliers, and the Caribbean.

The Company's business is seasonal in nature and, as a result, net sales and working capital requirements fluctuate from quarter to quarter. The Company's fourth quarter is a significant period with regards to the results of operations due to increased Direct-to-Consumer sales during the holiday season in North America and Europe. During the fourth quarter, the Company expects inventory levels, along with an increase in accounts payable and accrued expenses, to reach their highest levels in anticipation of the increased net sales.

Initial Public Offering

In April 2012, the Company completed its IPO of 15,608,221 shares of common stock sold by the Company and 5,988,624 shares of common stock sold by certain of the Company's stockholders (inclusive of 2,816,980 shares of common stock from the full exercise of the option granted to the underwriters to purchase additional shares from certain of the selling stockholders). The initial public offering price of the shares sold in the IPO was $18.00 per share. The Company did not receive any proceeds from the sale of shares by the selling stockholders. The total proceeds to the Company, net of underwriters' discounts and commissions, were approximately $264.1 million. The Company used the net proceeds received from the IPO to repurchase all of its preferred stock and preferred equity interests and 277,778 shares of its common stock owned by funds managed by, or entities affiliated with, Doughty Hanson & Co. Managers Limited (collectively, "Doughty Hanson"). The IPO costs incurred were charged against the net proceeds of the IPO and recorded in stockholders' equity during the second quarter of 2012.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

In connection with the IPO, the Company also

- effected a 101.200929-for-1 common stock split effective April 4, 2012 and a subsequent 1.037857-for-1 common stock split effective April 19, 2012;
- merged the LLC with and into Tumi Holdings, Inc., with Tumi Holdings, Inc. continuing as the surviving corporation, and cancelled all common interests in the LLC;
- increased its authorized shares of common stock to 350,000,000 and authorized 75,000,000 shares of preferred stock;
- entered into an amended and restated credit facility effective April 4, 2012;
- paid a one-time special bonus of $5,511,693 to its CEO, which was expensed by the Company in the second quarter of 2012; and
- adopted its 2012 Long-Term Incentive Plan (the "2012 Plan").

Registered Secondary Offerings of the Company's Common Stock

In November 2012, the Company completed a secondary offering of common stock sold by certain of the Company's stockholders. The selling stockholders, which included certain of the Company's officers, sold 11,375,975 shares of our common stock in the offering (inclusive of 1,275,975 shares of common stock from the partial exercise of the option granted to the underwriters to purchase additional shares from certain of the selling stockholders). The Company did not receive any proceeds from the sale of shares by the selling stockholders. The offering expenses incurred by the Company were approximately $634,000, which included legal and accounting costs and various other fees associated with the offering.

In April 2013, the Company completed an additional secondary offering of common stock sold by certain of the Company's stockholders. The selling stockholders, which included certain of the Company's officers, sold 11,661,000 shares of our common stock in the offering (inclusive of 1,521,000 shares of common stock from the full exercise of the option granted to the underwriters to purchase additional shares from certain of the selling stockholders). The Company did not receive any proceeds from the sale of shares by the selling stockholders. The offering expenses incurred by the Company were approximately $477,000, which included legal and accounting costs and various other fees associated with the offering.

Principles of Consolidation

The consolidated financial statements of the Company include the accounts of Tumi Holdings, Inc. and its subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation.

The Company uses the equity method of accounting for its joint venture investment, which is 50% owned, as the Company has the ability to exercise significant influence over the operating and financial policies of the joint venture but does not control the joint venture. The Company's share of the earnings or losses of the joint venture is included in the Consolidated Statements of Operations as "Earnings from Joint Venture Investment."

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Segment Reporting

The Company became subject to and adopted the provisions of the Financial Accounting Standards Board's (the "FASB") guidance for segment reporting in 2011. Segment information has been provided on the basis of the Company's four reportable segments for all periods presented (see Note 15—Segment Information), which are: (i) Direct-to-Consumer North America; (ii) Indirect-to-Consumer North America; (iii) Direct-to-Consumer International; and (iv) Indirect-to-Consumer International.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include valuation of goodwill and intangibles, allowance for doubtful accounts, adjustments for slow-moving and obsolete inventory, accrued warranties, realization of deferred tax assets, income tax uncertainties, the valuation of share-based compensation and related forfeiture rates, and useful lives of assets. Actual results could differ materially from those estimates.

Revenue Recognition

Revenue is generated from the sale of the Company's products and is classified as "Net Sales" in the Company's Consolidated Statements of Operations. The Company recognizes revenue in its Direct-to-Consumer segment when inventory is received by the customer and the related title passes. In the Company's Indirect-to-Consumer segment, revenue is recognized when inventory is in possession of the wholesale customers or their appointed carriers, at which point the related title passes. Provisions for discounts, rebates to customers and returns are recorded as a reduction of revenue in the same period as the related sales. Revenue associated with gift cards is recognized upon redemption. Revenue from gift cards and the amount of revenue recognized for gift cards not redeemed ("breakage") is immaterial to these consolidated financial statements. Amounts billed to customers for delivery costs are classified as a component of net sales and the related delivery costs are classified as a component of cost of sales. Sales and value added tax collected from customers and remitted to governmental authorities are accounted for on a net basis and are excluded from net sales in the Consolidated Statements of Operations.

Cash and Cash Equivalents

The Company's cash and cash equivalents are defined as cash and short-term highly liquid investments with an original maturity of three months or less from the date of purchase. The Company's cash and cash equivalents consist of cash in banks as of December 31, 2013 and 2012.

Effective December 31, 2010 and through December 31, 2012, all funds in a "noninterest-bearing transaction account" were insured in full at all institutions covered by the Federal Deposit

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Insurance Corporation ("FDIC"). As of January 1, 2013, funds held in "noninterest-bearing transaction accounts" are aggregated with any interest-bearing accounts, and the combined total is insured up to a maximum of $250,000. The term "noninterest-bearing transaction account" includes a traditional checking account or demand deposit account on which the insured depository institution pays no interest. The total excess of the bank account balances over the FDIC limit effective at each period end was approximately $26,590,000 and $3,999,000 at December 31, 2013 and 2012, respectively. The total cash in international bank accounts, which is not covered under the FDIC, was approximately $10,720,000 and $3,665,000 at December 31, 2013 and 2012, respectively.

Accounts Receivable and Allowance for Doubtful Accounts

Credit is extended to customers based on evaluation of a customer's financial condition. Generally, collateral is not required. Accounts receivable are due within 30 days to 90 days and are stated at amounts due from customers net of an allowance for doubtful accounts. Accounts receivable outstanding longer than the contractual payment terms are considered past due.

The Company determines its allowance for doubtful accounts by considering a number of factors, including the length of time trade receivables are past due, the Company's previous loss history, the customer's current ability to pay its obligation and the condition of the general economy and the industry as a whole. The Company writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

The following table summarizes the activity in the allowance for doubtful accounts for the years ended December 31, 2013, 2012 and 2011.

	For the Years Ended December 31,		
	2013	2012	2011
		(In thousands)	
Balance, beginning of year	$(340)	$(462)	$(370)
Provision charged to expense	(271)	34	(107)
Amounts written off	134	88	20
Recoveries of bad debt	—	—	(5)
Balance, end of year	$(477)	$(340)	$(462)

Inventories

Inventories consist primarily of finished goods and are valued at the lower of cost or market. Cost is determined using the first-in, first-out method. Inventory includes material, labor, overhead, freight, and duty and is adjusted for slow-moving and obsolete inventory.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

amortized over the lesser of their estimated useful lives or the terms of the respective leases. Repairs and maintenance costs are expensed as incurred; major renewals or betterments are capitalized.

Long-Lived Assets

The Company reviews long-lived assets, such as property, plant and equipment and certain identifiable intangibles with finite lives, for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Some factors the Company considers important which could trigger an impairment review include: (i) significant underperformance compared to expected historical or projected future operating results; (ii) significant changes in the Company's use of the acquired assets or the strategy for its overall business; and (iii) significant negative industry or economic trends. No impairment was recognized during the years ended December 31, 2013, 2012 and 2011.

Deferred Financing Costs

The net balance of the costs incurred for obtaining debt financing was $536,000 and $701,000 as of December 31, 2013 and 2012, respectively. The Company amortizes deferred financing costs to interest expense over the lives of the related financing agreements. During the years ended December 31, 2013, 2012 and 2011, respectively, $165,000, $218,000 and $491,000 was amortized to interest expense.

Offering Costs

In 2011, the Company commenced the process for its initial public offering of the shares of its common stock. The specific incremental costs directly attributable to the offering were initially deferred and recorded as "Deferred Offering Costs" in the consolidated balance sheet as of December 31, 2011. The offering was completed in April 2012 and the deferred offering costs were charged against the net proceeds of the IPO and recorded in stockholders' equity during the second quarter of 2012.

In November 2012 and April 2013, the Company completed secondary offerings of common stock sold by certain of the Company's stockholders. The Company did not receive any proceeds from the sale of shares and the offering expenses incurred were expensed directly to operating expenses.

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of net assets acquired, including intangible assets. Indefinite-lived intangible assets consist of brand/trade name. Goodwill and brand/trade name are not being amortized in accordance with the provisions of the FASB's guidance, which requires these assets to be tested for impairment annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company's annual impairment testing date is the first day of its fourth quarter. No impairment was recognized in the years ended December 31, 2013, 2012 and 2011.

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The quantitative goodwill impairment test, if necessary, is a two-step process. Under the first of two steps, the Company compares the fair value of a reporting unit to its carrying amount, including goodwill, to identify a potential impairment. If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for such reporting unit and the enterprise must perform step two of the impairment test to measure the impairment, if any. Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation: the fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill.

The Company uses techniques including discounted expected future cash flows (Level 3 input), or DCF, to test goodwill. Indefinite-lived intangible assets are tested for impairment through an income approach known as the relief from royalty method. A discounted cash flow analysis calculates the fair value by estimating the after-tax cash flows attributable to a reporting unit or asset and then discounting the after-tax cash flows to a present value using a risk-adjusted discount rate. Assumptions used in DCF and the relief from royalty method require the exercise of significant judgment including judgment about appropriate royalty rates, discount rates and terminal values, growth rates and the amount and timing of expected future cash flows. Although the Company believes the historical assumptions and estimates made are reasonable and appropriate, different assumptions and estimates could materially impact its reported financial results.

The Company's reporting units for the purpose of goodwill impairment testing are the reportable business segments: (i) Direct-to-Consumer North America, (ii) Indirect-to-Consumer North America, (iii) Direct-to-Consumer International and (iv) Indirect-to-Consumer International. The reporting units were determined in accordance with the guidance on reportable segments in FASB ASC 280-10-50-1. There is no discrete financial information available to the Company for its operations below its reportable business segments.

Share-Based Compensation

Share-based compensation represents the cost related to stock options granted to employees under the 2012 Plan. The Company measures share-based compensation cost at the grant date based on the estimated fair value of the award and recognizes the cost on a straight-line basis (net of estimated forfeitures) over the vesting period. The Company estimates the fair value of stock options using the Black-Scholes valuation model. All share-based compensation costs are recorded in cost of sales or the various operating expense lines in the consolidated statements of operations based on the employee's respective function (see Note 17—Share-Based Compensation Plans and Awards).

Fair Value Measurements

The Company applies the FASB's guidance for "Fair Value Measurements." Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

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In determining fair value, the Company uses various valuation approaches. The hierarchy of those valuation approaches is broken down into three levels based on the reliability of inputs as follows:

Level 1— Inputs that are quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The valuation under this approach does not entail a significant degree of judgment.

Level 2— Inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates and yield curves observable at commonly quoted intervals or current market) and contractual prices for the underlying financial instrument, as well as other relevant economic measures.

Level 3— Inputs that are unobservable for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The Company's non-financial assets which are subject to nonrecurring fair value measurements include goodwill, intangible assets and property, plant and equipment. These assets are recorded at carrying value. However, whenever events or changes in circumstances indicate that their carrying value may not be fully recoverable (or at least annually for goodwill and indefinite-lived intangible assets), such assets are assessed for impairment and, if applicable, written down to and recorded at fair value. To measure fair value for such assets, the Company uses techniques including DCF.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, and the Company's variable interest rate credit facility (See Note 8—Credit Facilities) were reasonable estimates of their fair value as of December 31, 2013 and 2012. If measured at fair value in the financial statements, the Company's variable interest rate credit facility would be classified as Level 2 in the fair value hierarchy.

Income Taxes

The Company utilizes the asset and liability method of accounting for income taxes, under which deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company applies the FASB's provisions for uncertain tax positions. The Company utilizes the two step process to determine the amount of recognized tax benefit. For tax positions meeting the

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more-likely-than-not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company recognizes interest and penalties associated with uncertain tax positions as a component of income tax expense.

Foreign Currency Translation

The financial statements of the Company's branch offices and subsidiaries in Europe are measured using a currency other than the U.S. dollar.

Assets and liabilities recorded in functional currencies other than U.S. dollars are translated into U.S. dollars at the year-end rate of exchange. Revenues and expenses are translated at the average exchange rates for the year. The resulting translation adjustments are charged or credited to other comprehensive income.

Realized foreign currency transaction gains and losses on transactions denominated in currencies other than the functional currency, such as those resulting from the settlement of receivables and payables denominated in foreign currency, are included in the earnings of the current period in "Foreign Exchange Gains (Losses)."

Unrealized gains and losses on intercompany foreign currency transactions that are of a long-term investment nature (that is settlement is not planned or anticipated in the foreseeable future) are recorded in other comprehensive income. Unrealized gains and losses on intercompany foreign currency transactions for which settlement is anticipated are included in the determination of net income.

Advertising Costs

The Company expenses advertising costs as incurred. Total advertising expenses, excluding cooperative advertising costs, included in operating expenses in the accompanying Consolidated Statements of Operations were approximately $8,502,000, $6,443,000 and $6,127,000 for the years ended December 31, 2013, 2012 and 2011, respectively.

Cooperative Advertising Costs

The Company accounts for certain advertising costs in accordance with the FASB's guidance for "Customer Payments and Incentives." This standard provides guidance with respect to the statement of operations classification of and the accounting for recognition and measurement of consideration given by a vendor to a customer, which includes sales incentive offers labeled as discounts, coupons, rebates and free products or services as well as arrangements labeled as slotting fees, cooperative advertising and buy downs. As per the FASB's guidance, the Company is recognizing cooperative advertising costs in marketing expenses and sales incentives related to "free product" as an expense in cost of sales. The Company recognized cooperative advertising expense of approximately $3,234,000, $2,619,000 and $2,078,000 as a marketing expense in the accompanying Consolidated Statements of Operations for the years ended December 31, 2013, 2012 and 2011, respectively.

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Store Preopening Expenses

Costs incurred prior to the opening of a new store are expensed as incurred.

Warranties

The Company provides its customers with a product warranty subsequent to the sale of its products. The Company's warranty policy provides for one year of worry-free service as well as an additional warranty against manufacturers' defects or flaws in construction for between two and five years, depending on the product line. The Company recognizes estimated costs associated with the limited warranty at the time of sale of its products. The warranty reserve is based on historical experience.

Treasury Stock

The Company periodically repurchases treasury stock. These treasury stock transactions are recorded using the cost method.

Dividend Expense on Mandatorily Redeemable Preferred Stock and Preferred Equity Interests

Dividends accrued on the Company's mandatorily redeemable preferred stock and preferred equity interests (see Note 12—Mandatorily Redeemable Preferred Stock and Preferred Equity Interests) are presented in other income (expenses) in the consolidated statements of operations for the years ended December 31, 2012 and 2011. All of the Company's preferred stock and preferred equity interests were repurchased at carrying value (inclusive of all accrued dividends) in connection with the our IPO in April 2012.

Earnings per Common Share

Basic earnings per common share is computed by dividing income available to common stockholders by the weighted-average common shares outstanding for the period. Diluted earnings per common share is computed on the basis of the weighted-average number of common shares outstanding plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method.

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In February 2013, the FASB issued ASU No. 2013-02, "Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Comprehensive Income." The new guidance requires an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amounts are required to be reclassified in their entirety to net income. For other amounts that are not required to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference to other disclosures that provide additional detail about those amounts. The new guidance was effective prospectively for fiscal years and interim periods beginning after December 15, 2012, with early adoption permitted. The Company adopted the amended guidance effective January 1, 2013 and it did not have a material effect on its consolidated financial statements.

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In July 2013, the FASB issued ASU No. 2013-11, "Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward exists." This amended guidance requires an entity to present an unrecognized tax benefit as a reduction of a deferred tax asset for a net operating loss carry forward, a similar tax loss or a tax credit carry forward. If an applicable deferred tax asset is not available or a company does not expect to use the applicable deferred tax asset, the unrecognized tax benefit should be presented as a liability in the financial statements and should not be combined with an unrelated deferred tax asset. The new guidance is effective prospectively for fiscal years and interim periods beginning after December 15, 2013, with early adoption permitted. The Company does not expect the adoption of this amended guidance to have a significant impact on the consolidated financial statements.

3. INVENTORIES, NET

Inventories, net consist of the following:

	At December 31, 2013	At December 31, 2012
	(In thousands)	
Raw materials	$ 367	$ 275
Finished goods	79,602	70,591
Total inventories, net	$79,969	$70,866

4. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net consists of the following:

	Useful Life	At December 31, 2013	At December 31, 2012
		(In thousands)	
Land	—	$ 485	$ 485
Buildings and improvements	25 years	5,066	3,429
Leasehold and store enhancements	5 to 10 years	87,917	75,725
Furniture, computers and equipment	3 to 5 years	17,011	16,599
Capitalized software	5 years	5,443	2,532
Fixtures, dies and autos	3 to 5 years	17,196	21,359
Construction in progress		5,926	4,070
		139,044	124,199
Less accumulated depreciation and amortization		(78,173)	(77,195)
		$ 60,871	$ 47,004

Depreciation and amortization expense on property, plant and equipment was $13,914,000, $11,231,000 and $9,815,000 for the years ended December 31, 2013, 2012 and 2011, respectively.

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5. JOINT VENTURE

Tumi Japan

In June 2003, the Company entered into a Joint Venture Agreement ("JV Agreement") with ACE Co., Ltd. ("Ace") and Itochu Corporation ("Itochu") to form the Tumi Japan Joint Venture ("Tumi Japan") and contributed $213,000 at inception. The purpose of Tumi Japan is to sell, promote and distribute the Company's products in Japan. As of December 31, 2013 and 2012, the Company owned 50% of Tumi Japan.

This investment is accounted for under the equity method. The Company's share of undistributed earnings from the joint venture, which is included in retained earnings, was a cumulative gain of approximately $1,565,000 as of December 31, 2013.

Pursuant to the JV Agreement, the Company has the option but not the obligation to purchase an additional interest in Tumi Japan up to an ownership percentage of 66% after the tenth year of the existence of Tumi Japan. The amount to be paid per share is based on a predetermined formula according to the agreement and is payable in Japanese yen.

Sales to Itochu during the years ended December 31, 2013, 2012 and 2011 were $13,779,000, $11,260,000, and $10,404,000, respectively. As of December 31, 2013 and 2012, the Company had accounts receivable due from Itochu of $1,069,000 and $1,411,000, respectively.

6. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and intangible assets consisted of the following at December 31:

	Range of Lives (Years)	2013	2012
		(In thousands)	
Goodwill	Indefinite	$142,773	$142,773
Intangible assets			
Brand/trade name	Indefinite	$130,400	$130,400
Customer relationships	10	1,100	1,100
Lease value	8	1,359	1,359
		2,459	2,459
Less accumulated amortization		(2,186)	(1,913)
		273	546
Intangible assets, net		$130,673	$130,946

Substantially all of the Company's goodwill and intangible assets relate to an acquisition in 2004.

The range of lives of the intangible assets was determined by management, which at times will engage an independent third-party appraisal firm to assist in considering the determination of the lives of intangible assets.

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The estimated aggregate amortization and retail operations expense as of December 31, 2013 was as follows:

Year Ending December 31,	Customers Relationships	Lease Value	Total
	(In thousands)		
2014	$96	$163	$259
2015	—	14	14
	$96	$177	$273

Amortization expense of the customer relationships, included in general and administrative expense, was $110,000 in each of the years ended December 31, 2013, 2012 and 2011. Included in retail operations expense was $163,000 of amortization expense for the lease value in each of the years ended December 31, 2013, 2012 and 2011.

The Company's goodwill by segment was as follows as of December 31:

	2013	2012
	(In thousands)	
Direct-to-Consumer North America	$ 48,779	$ 48,779
Direct-to-Consumer International	6,682	6,682
Indirect-to-Consumer North America	22,719	22,719
Indirect-to-Consumer International	64,593	64,593
Goodwill	$142,773	$142,773

There is no accumulated impairment of goodwill for any period presented.

7. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued Expenses

Accrued expenses as of December 31 consisted of the following:

	At December 31,	
	2013	2012
	(In thousands)	
Warranty	$ 7,339	$ 6,807
Fixed asset purchases	5,128	2,803
Severance	761	754
Incentive compensation	3,550	4,200
Marketing	2,770	2,826
Professional fees	862	723
Sales tax	2,375	2,172
Payroll costs	1,314	2,071
Other	8,021	7,147
	$32,120	$29,503

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Other Long-Term Liabilities

Other long-term liabilities as of December 31, 2013 and 2012 consisted of deferred rent and a liability for uncertain tax positions.

Accrued Warranties

The activity in the warranty reserve account was as follows:

	At December 31,		
	2013	2012	2011
	(In thousands)		
Liability, beginning of period	$ 6,807	$ 6,212	$ 6,217
Provision for warranties	3,381	3,273	3,914
Warranty claims	(2,849)	(2,678)	(3,919)
Liability, end of period	$ 7,339	$ 6,807	$ 6,212

8. CREDIT FACILITIES

Former Debt Facility

On March 1, 2007, the Company entered into a Credit and Guaranty Agreement (the "RBS Agreement") with the Royal Bank of Scotland ("RBS"), which included a term loan, a revolving line of credit, and a letter of credit facility. Substantially all of the Company's assets were pledged as collateral under the RBS Agreement.

On October 29, 2010, the RBS Agreement was modified, reducing the number of participating lenders and amending certain loan terms, and converted to a Credit and Guaranty Agreement (the "Wells Fargo Agreement") with Wells Fargo Bank ("Wells Fargo"). The Wells Fargo Agreement included a term loan, a revolving line of credit, and a letter of credit facility. Substantially all of the Company's assets were pledged as collateral under the Wells Fargo Agreement.

The Wells Fargo Agreement provided for a $10,000,000 Maximum Revolving Advance and $77,500,000 of term debt.

Amended and Restated Credit Facility

In connection with the IPO, on April 4, 2012, Tumi, Inc. and Tumi Stores, Inc. (the "Borrowers") entered into an amended and restated credit facility (the "Amended Credit Facility"), with Wells Fargo Bank National Association ("Wells Fargo") as lender and collateral agent.

On April 4, 2012, the Company's had $60,000,000 outstanding on its then-current term loan facility and no balance outstanding on its revolving credit facility for which the total capacity was $10,000,000. The Company had, however, utilized $250,000 under the revolving facility for letters of credit. Based on the Company's calculated leverage ratio at the time, the facility bore interest at either the market LIBOR rate plus 175 basis points or the prime rate plus 75 basis points.

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The Amended Credit Facility consolidated the term loan facility and the revolving credit facility previously provided in the Company's former debt facility with Wells Fargo into a single $70,000,000 senior secured revolving credit facility, with Wells Fargo as the sole lender, and extended the maturity of the facility until April 4, 2017. The Amended Credit Facility included a letter of credit sublimit not to exceed the undrawn amount of the revolving commitments.

On August 29, 2013, the Amended Credit Facility was amended to reduce the letter of credit sublimit to $5,000,000.

Borrowings under the Amended Credit Facility bear interest at a per annum rate equal to, at the Borrowers' option, the one, two, three or six month (or such other period as Wells Fargo may agree) LIBOR rate plus a margin of 1.00% or 1.25%, or a base rate (the greater of (i) Wells Fargo's prime rate in effect on such day and (ii) the federal funds rate plus 1/2 of 1.00%) plus a margin of zero or 0.25%. The Borrowers are required to pay an undrawn commitment fee equal to 0.15% or 0.20% of the undrawn portion of the commitments under the Amended Credit Facility, as well as customary letter of credit fees. The margin added to the LIBOR, or base rate, as well as the amount of the commitment fee, depends on the Company's leverage at the time. Interest is payable monthly, bi-monthly or quarterly on LIBOR rate loans depending on the interest period for each LIBOR rate loan, or quarterly on base rate loans.

As of December 31, 2013 and 2012, respectively, the Company had $8,000,000 and $45,000,000 outstanding under the Amended Credit Facility. As of December 31, 2013 and 2012, the facility bore interest at the market LIBOR rate of 0.17% and 0.22%, respectively, plus 100 basis points. Letters of credit outstanding at December 31, 2013 and 2012 totaled $286,000 under the facility and, accordingly, the unused portion of the facility was $61,714,000 and $24,714,000, respectively. The fee for the unused portion of the facility was $70,000 and $18,000 for the years ended December 31, 2013 and 2012, respectively.

All obligations under the Amended Credit Facility are required to be guaranteed by each of the Borrowers' material domestic subsidiaries, subject to certain exclusions. The obligations under the Amended Credit Facility are secured by substantially all of the Borrowers' assets and, if applicable, those of the Borrowers' subsidiary guarantors. Currently the Borrowers do not have any subsidiary guarantors.

The Amended Credit Facility contains customary events of default, including, but not limited to, payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults under material debt, certain events of bankruptcy and insolvency, defaults based on certain judgments, failure of any material provision of any loan document to be in full force and effect, change of control, and certain ERISA defaults. If an event of default were to occur and continue, amounts due under the Amended Credit Facility would be accelerated and the commitments to extend credit thereunder terminated, and the rights and remedies of Wells Fargo under the Amended Credit Facility available under the applicable loan documents could be exercised, including rights with respect to the collateral securing the obligations under the Amended Credit Facility.

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The Company reviewed the terms of the Amended Credit Facility and is satisfied that all conditions have been met, pursuant to the FASB's guidance, to treat the transaction as a debt modification, which requires the Company to expense third party fees and add the related fees paid to Wells Fargo to the existing debt issuance costs.

Debt Covenants

The Amended Credit Facility contains customary covenants, including, but not limited to, limitations on the ability of the Borrowers and their subsidiaries to incur additional debt and liens, dispose of assets, and make certain investments and restricted payments, including the prepayment of certain debt and cash dividends. In addition, the Amended Credit Facility contains financial covenants requiring that the Borrowers maintain (a) a minimum ratio of consolidated adjusted EBITDA to consolidated cash interest expense (as such terms are defined in the Amended Credit Facility) of not less than 4.00 to 1.00 and (b) a maximum ratio of consolidated total debt to consolidated adjusted EBITDA of no greater than 2.25 to 1.00. The Company was in compliance in all material respects with all such covenants as of December 31, 2013.

Long-Term Debt

Long-term debt at December 31 consisted of the following:

	At December 31, 2013	At December 31, 2012
	(In thousands)	
Amended Credit Facility: Revolver loan payable April 4, 2017, including interest at a LIBOR rate (0.17% and 0.22% at December 31, 2013 and 2012, respectively) plus 1.00% at December 31, 2013 and 2012, respectively.	$8,000	$45,000
	$8,000	$45,000

9. COMMITMENTS AND CONTINGENCIES

Leases

The Company leases certain office, distribution and retail facilities. The lease agreements, which expire at various dates through 2027, are subject, in some cases, to renewal options and provide for the payment of taxes, insurance and maintenance. Certain leases contain escalation clauses resulting from the pass-through of increases in operating costs, property taxes and the effect on costs from changes in consumer price indices. Certain rentals are also contingent upon factors such as sales. Rent-free periods and scheduled rent increases are recorded as components of rent expense on a straight-line basis over the related terms of such leases. Contingent rentals are recognized when the achievement of the target (i.e., sales levels) which triggers the related payment is considered probable. Such expenses were not material for the years ended December 31, 2013, 2012 and 2011.

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Future minimum lease payments under all non-cancellable operating leases with initial or remaining terms in excess of one year as of December 31, 2013 were as follows:

At December 31, 2013 (In thousands)	
2014	$ 24,548
2015	22,986
2016	20,553
2017	19,563
2018	17,951
Thereafter	70,348
	$175,949

Rent expense under all operating leases for the Company was approximately $28,765,000, $23,146,000 and $18,935,000 for the years ended December 31, 2013, 2012 and 2011, respectively.

Litigation

From time to time, we may be subject to legal proceedings and claims in the ordinary course of business, including proceedings to protect our intellectual property rights. As part of our monitoring program for our intellectual property rights, from time to time we file lawsuits in the U.S. and abroad for acts of trademark counterfeiting, trademark infringement, trademark dilution, patent infringement or breach of other state or foreign laws. These actions often result in seizure of counterfeit merchandise and negotiated settlements with defendants. Defendants sometimes raise the invalidity or unenforceability of our proprietary rights as affirmative defenses or counterclaims. In the opinion of management, based upon advice of legal counsel, the likelihood is remote that the impact of any pending proceedings, either individually or in the aggregate, would be material to the Company's consolidated financial position, results of operations or cash flows.

Bonus Agreement

Pursuant to an amended and restated letter agreement dated July 8, 2009, the Company's Chief Executive Officer ("CEO") was entitled to receive a special bonus in connection with the completion of a qualified sale event or initial public offering that resulted in an enterprise value of the Company of $600,000,000 or greater. Based on the enterprise value of the Company at the time of the IPO, the special bonus was paid and expensed in April 2012 in the amount of $5,511,693.

Web Service Provider Agreement

Pursuant to the Company's agreement with its current web services provider, the Company served an early termination notice to said provider in the second quarter of 2013 and accrued a $1,500,000 (pre-tax) early termination fee pursuant to the terms of this agreement. This amount was paid in December 2013. The original agreement was scheduled to expire on December 31, 2015. The Company intends to transition its web stores to an in-sourced model during 2014. The Company will continue using its current provider's services until such time.

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Notes to Consolidated Financial Statements

10. INCOME TAXES

The components of United States and foreign income from operations before income taxes were as follows:

	For the Years Ended December 31,		
	2013	2012	2011
	(In thousands)		
United States	$81,554	$63,001	$37,710
Foreign	4,554	503	(1,764)
Total income before income taxes	$86,108	$63,504	$35,946

The provision for income taxes is as follows:

	For the Years Ended December 31,		
	2013	2012	2011
	(In thousands)		
Current provision			
Federal	$27,515	$22,745	$17,620
State	3,340	3,392	2,820
Foreign	211	1,282	729
Total current provision	31,066	27,419	21,169
Deferred			
Federal	1,124	(335)	2,754
State	(565)	(317)	(4,433)
Foreign	(76)	(46)	(136)
Total deferred provision	483	(698)	(1,815)
Total provision for income taxes	$31,549	$26,721	$19,354

The differences between income taxes based on the statutory U.S. federal income tax rate of 35% and the Company's effective income tax rate are provided in the following reconciliation:

	For the Years Ended December 31,		
	2013	2012	2011
	(In thousands)		
Statutory federal income tax	$30,138	$22,226	$12,580
Dividend expense on mandatorily redeemable preferred stock and preferred equity interests	—	2,762	8,000
State and local net of federal benefit	1,694	1,789	(1,049)
Other	(283)	(56)	(177)
Total provision for income taxes	$31,549	$26,721	$19,354

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The major components of deferred income taxes were as follows:

	At December 31, 2013	At December 31, 2012
	(In thousands)	
Deferred tax assets		
Net operating loss—foreign	$ 2,067	$ 2,814
Warranty reserves	2,725	2,548
Rent expense	1,968	2,036
Other comprehensive income	51	283
Inventory reserves	819	664
Other	586	354
Depreciation	114	118
Accrued expense	473	449
Allowance for doubtful accounts	177	379
Share-based compensation	746	—
Valuation allowance	(2,255)	(3,002)
Total deferred tax assets, net	7,471	6,643
Deferred tax liabilities		
Intangibles	(48,536)	(49,016)
Depreciation	(2,659)	(634)
Total deferred tax liabilities, net	(51,195)	(49,650)
Total deferred tax balance	$(43,724)	$(43,007)
Amounts included in the consolidated balance sheet:		
Deferred tax assets, current	$ 5,347	$ 3,851
Deferred tax asset, noncurrent	2,124	2,158
Deferred tax liabilities	(51,195)	(49,016)
Total	$(43,724)	$(43,007)

Approximately $48,467,000 and $48,889,000 of deferred tax liabilities were recognized as of December 31, 2013 and 2012, respectively, to reflect the potential future tax liability relating to the $131,500,000 of identifiable intangible assets arising out of the purchase price valuation adjustment in 2004. Approximately $51,000 of deferred tax assets as of December 31, 2013 related to unrealized gains recorded in other comprehensive income.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets relating to a particular jurisdiction is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible in that jurisdiction.

Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, with the exception of certain foreign net operating losses and deferred tax assets.

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At December 31, 2013 and 2012, there were approximately $6,958,000 and $9,648,000 of gross foreign net operating loss carryforwards, respectively. The majority of these net operating loss carryforwards have an unlimited carryforward period. A valuation allowance of $2,067,000 and $2,814,000 was recorded at December 31, 2013 and 2012, respectively, related to the foreign net operating losses. It is anticipated that these will not be utilized due to continuing losses in these jurisdictions.

The Company has elected to treat all of its foreign subsidiaries as disregarded entities for U.S. income tax purposes. Accordingly, the taxable income of the Company's foreign subsidiaries is taxed currently in the U.S. and no deferred tax liability exists in regards to the unrepatriated earnings of the subsidiaries.

The Company applies the FASB's provisions for uncertain tax positions. The Company utilizes the two step process to determine the amount of recognized tax benefit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company recognizes interest and penalties associated with certain tax positions as a component of income tax expense.

The Federal tax returns were audited for the years 2008 and 2009 which resulted in minimal adjustments. For years prior to 2009 the federal statute of limitations is closed. The New Jersey tax returns were audited for the years 2003–2006 with no income tax adjustments. The Minnesota tax returns were audited for the years 2006–2008 which resulted in minimal adjustments. The New York tax returns were audited for 2009 and 2010 which resulted in minimal adjustments. Most of the remaining states remain open to examination for a period of 3 to 4 years from date of filing. The Company files tax returns in all of the foreign jurisdictions that it has a permanent establishment and the tax filings remain subject to examination for 4 to 5 years.

The Company recognizes interest and penalties associated with uncertain tax positions as a component of income tax expense. The Company had approximately $173,000 and $253,000 for the payment of interest and penalties accrued at December 31, 2013 and 2012, respectively. The Company recorded estimated tax related penalty and interest expense in the statement of operations of approximately $17,000, $79,000 and $41,000 during the years ended December 31, 2013, 2012 and 2011, respectively. The total liability for unrecognized tax benefit, inclusive of interest and penalties, at December 31, 2013 and 2012 amounted to approximately $517,000 and $1,001,000, respectively. The amount of unrecognized tax benefit that, if recognized, would affect the effective tax rate at December 31, 2013 and 2012 was $344,000 and $694,000, respectively.

The Company does not expect that there will be a material impact on the amount of unrecognized tax benefit in the next 12 months.

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The following table indicates the changes to the Company's uncertain tax positions for the period and years ended December 31, 2013, 2012 and 2011.

	For the Years Ended December 31,		
	2013	2012	2011
	(In thousands)		
Balance, beginning of year	$ 747	$658	$214
Additions based on tax positions related to the current year	—	95	187
Additions based on tax positions related to prior years	—	—	291
Reductions based on tax positions related to prior years	(403)	—	—
Expiration of statute of limitations	—	(6)	—
Settlements	—	—	(34)
Balance, end of year	$ 344	$747	$658

As of December 31, 2013, $344,000 of the above amount was included in other long-term liabilities in the consolidated balance sheet. As of December 31, 2012, $53,000 and $694,000 of the above amount was included in income taxes payable and other long-term liabilities, respectively, in the consolidated balance sheet.

11. EMPLOYEE BENEFIT PLAN

The Company has a 401(k) profit-sharing and savings plan (the "Plan"). Under the Plan, eligible employees could contribute up to 60% of their compensation not to exceed $17,500 (subject to future adjustment) during calendar year 2013, $17,000 during calendar year 2012 and $16,500 during calendar year 2011. In December 2003, the Company elected to adopt a safe harbor contribution plan amendment, effective January 1, 2004, whereby safe harbor contributions may be made to eligible participants in the 401(k) profit sharing and savings plan. By making a safe harbor matching contribution, the Company's Plan was no longer subject to certain regulatory testing, thereby enabling all participants to make tax-deferred contributions up to the maximum allowable amount.

The Company has a voluntary safe harbor contribution match up to 100% of the employee's contribution on the first 3% of their compensation and 50% of the employee's contribution on the next 2% of eligible compensation. Employer contributions expensed for the Plan amounted to approximately $885,000, $788,000 and $661,000 for the years ended December 31, 2013, 2012 and 2011, respectively. Participants are at all times fully vested in their contributions; the Company's safe harbor contribution is fully vested immediately.

Profit-sharing contributions vest over a 5 year period in accordance with the Plan's vesting schedules. No contributions were made during 2013, 2012 or 2011.

12. MANDATORILY REDEEMABLE PREFERRED STOCK AND PREFERRED EQUITY INTERESTS

In connection with the IPO in April 2012, the Company repurchased all of its mandatorily redeemable Series A preferred stock, par value $0.01, and all of its preferred equity interest units. This included 77,500 shares of Series A preferred stock, with a subscription price of $77,500,000, and

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50,000 preferred equity interest units, with a subscription price of $50,000,000. All of the mandatorily redeemable preferred stock and preferred equity interests were issued during 2004 in connection with an acquisition. The mandatorily redeemable preferred stock and preferred equity interests had identical rights and preferences and accrued dividends at the rate of 10% compounded annually and were cumulative.

The mandatorily redeemable preferred stock and preferred equity interests repurchased in 2012 totaled $259,321,000, comprised of $157,627,000 of Series A preferred stock, inclusive of $80,127,000 of accrued dividends, and $101,694,000 of preferred equity interests, inclusive of $51,694,000 of accrued dividends.

13. STOCKHOLDERS' EQUITY

As of December 31, 2013 and 2012, there were 350,000,000 shares of common stock authorized, with a par value of $0.01, of which 67,866,667 shares, net of treasury stock, were outstanding. Common stock represents 100% of the ownership and voting control of Tumi Holdings, Inc. and does not accrue dividends.

In connection with the IPO, 75,000,000 shares of preferred stock were authorized, with a par value of $0.01, of which no shares were issued or outstanding as of December 31, 2013 and 2012.

As of December 31, 2013 and 2012, the Company held 277,806 shares of common stock in treasury.

Stock Splits

In connection with the IPO, the Company's Board of Directors approved a 101.200929-for-1 common stock split and a subsequent 1.037857-for-1 common stock split, which were effective April 4, 2012 and April 19, 2012, respectively.

All common share and per share amounts in the consolidated financial statements have been adjusted retrospectively for all periods presented to reflect the 101.200929-for-1 and 1.037857-for-1 common stock splits.

Accumulated Other Comprehensive Loss

The balance in accumulated other comprehensive loss consists only of foreign currency translation adjustments, net of tax.

Shareholder Loans

Shareholder loans arose from the sale of stock to employees in May 2009, all of which were repaid in full by December 31, 2011. In accordance with the FASB's guidance, shareholder loans are classified in Stockholders' Equity.

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14. EARNINGS PER SHARE

The following table summarizes the calculation of basic and diluted earnings per common share (adjusted for the stock splits described in Note 13—Stockholders' Equity) for the years ended December 31, 2013, 2012 and 2011.

	For the Years Ended December 31,		
	2013	2012	2011
	(In thousands, except share and per share data)		
Basic earnings per common share			
Numerator:			
Net income	$ 54,559	$ 36,783	$ 16,592
Denominator:			
Basic weighted average common shares outstanding	67,866,667	63,304,838	52,536,224
Basic earnings per common share	$ 0.80	$ 0.58	$ 0.32
Diluted earnings per common share:			
Numerator:			
Net income	$ 54,559	$ 36,783	$ 16,592
Denominator:			
Number of shares used in basic calculation	67,866,667	63,304,838	52,536,224
Weighted average dilutive effect of employee stock options	4,021	110	—
Diluted weighted average common shares outstanding	67,870,688	63,304,948	52,536,224
Diluted earnings per common share	$ 0.80	$ 0.58	$ 0.32

The Company excluded 8,328 weighted average stock options for the year ended December 31, 2013 and none for the year ended December 31, 2012 from the calculation of diluted earnings per common share because the exercise prices of these stock options were greater than or equal to the average market price of the common shares. These options could be included in the calculation in the future if the average market value of the common shares increases and is greater than the exercise price of these options. The Company included all outstanding weighted average stock options with exercise prices less than the average market price of the common shares in the calculation of the weighted average dilutive effect of employee stock options, but a weighted average of 446,090 of these stock options for the year ended December 31, 2013 (none for the year ended December 31, 2012) did not have any impact on the dilutive effect of employee stock options in the preceding table, as they were determined to be antidilutive when the treasury stock method was applied.

15. SEGMENT INFORMATION

The Company sells its products globally to consumers through both direct and indirect channels and manages its business through four operating segments: Direct-to-Consumer North America, Direct-to-Consumer International, Indirect-to-Consumer North America and Indirect-to-Consumer International. The Company's Chief Executive Officer and Chief Financial Officer are its chief operating decision makers (the "CODM's") as defined in the FASB's guidance relating to segment reporting. The CODM's evaluate net sales and operating income of the Company's segments to allocate resources and evaluate performance. Operating income of the Company's segments is measured on net sales, less cost of goods sold and direct expenses of each segment and certain

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operating expenses allocated to each segment. Expenses not specifically allocated to the individual segments include costs such as product design and development, certain general and administrative, shipping, warehouse and other expenses. The CODM's do not receive information related to total assets by segment. Although the Company's products fall into three major categories: travel, business and accessories, the Company's classification of individual product codes into these categories is fluid and dynamic; while the Company collects gross sales data, the Company does not collect financial information to derive net sales (including discounts and allowances) and markdowns by product category in sufficient detail to report such data in its financial statements in the aggregate or by segment.

Following is a description of our segments:

Direct-to-Consumer North America

The Company's Direct-to-Consumer North America segment sells the Company's products directly to consumers through a network of company-owned retail stores consisting of full-price stores and outlet stores strategically positioned in high-end retail malls or street venues. In addition, sales of the Company's products to consumers through our e-commerce website are included in this segment.

Indirect-to-Consumer North America

The Company sells to wholesale customers, including specialty luggage retailers, prestige department stores and business to business channels. Many of the Company's wholesale customers also operate their own e-commerce websites through which they sell the Company's products. The Company also sells its products in partner stores, which are operated by local distributors or retailers, that carry only Tumi products and are governed by strict operating guidelines that the Company dictates.

Direct-to-Consumer International

The Company sells directly to consumers through a network of company-owned full-price and outlet stores in high-end street venues and select malls in international locations. The Company also sells its products directly to consumers through our e-commerce website.

Indirect-to-Consumer International

The Company sells its products through wholesale distribution channels in Europe, the Middle East and Africa, the Asia-Pacific region and Central and South America. The Company also sells its products in partner stores, operated by local distributors or retailers, that carry only Tumi products and are governed by strict operating guidelines that the Company dictates. In addition, the Company operates concessions in department stores throughout Europe and the Middle East. Many of the Company's wholesale customers also operate their own e-commerce websites through which they sell the Company's products.

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Segment Results

The tables below present information for net sales, operating income, total assets and depreciation and amortization by segment for the years ended December 31, 2013, 2012 and 2011:

	Direct-to-Consumer North America	Direct-to-Consumer International	Indirect-to-Consumer North America	Indirect-to-Consumer International	Unallocated Amounts	Consolidated Totals
			(In thousands)			
Year ended December 31, 2013						
Net sales	$209,214	$22,408	$104,345	$131,471	$ —	$467,438
Operating income	$ 62,485	$ 2,941	$ 39,530	$ 40,936	$ (59,529)	$ 86,363
Total assets	$ 55,236	$10,624	$ 14,465	$ 25,109	$401,053	$506,487
Depreciation and amortization	$ 6,944	$ 740	$ 1,193	$ 3,489	$ 1,821	$ 14,187
Year Ended December 31, 2012						
Net sales	$180,291	$17,879	$ 95,934	$104,447	$ —	$398,551
Operating income	$ 57,208	$ 964	$ 36,328	$ 30,368	$ (53,192)	$ 71,676
Total assets	$ 40,986	$ 8,583	$ 15,769	$ 15,837	$388,066	$469,241
Depreciation and amortization	$ 5,889	$ 940	$ 832	$ 2,403	$ 1,440	$ 11,504
Year Ended December 31, 2011						
Net sales	$143,809	$16,198	$ 79,036	$ 90,925	$ —	$329,968
Operating income	$ 44,650	$ 973	$ 29,195	$ 26,037	$ (40,422)	$ 60,433
Total assets	$ 34,894	$ 7,578	$ 12,152	$ 17,107	$374,610	$446,341
Depreciation and amortization	$ 5,318	$ 1,154	$ 518	$ 1,890	$ 1,209	$ 10,089

Geographic Area Information

Net sales by major geographic region is based on the location of the customer. Net sales by geographic region for the years ended December 31, 2013, 2012 and 2011 were as follows:

	For the Years Ended December 31,		
	2013	2012	2011
		(In thousands)	
United States	$309,557	$273,688	$222,281
China	23,103	18,730	15,869
Other International[(1)]	134,778	106,133	91,818
Total	$467,438	$398,551	$329,968

(1) Other International consists of numerous countries, none of which represents more than 5% of net sales for any year presented.

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Property, plant and equipment, net by country of domicile as of December 31, 2013, 2012 and 2011 were as follows:

	For the Years Ended December 31,		
	2013	2012	2011
		(In thousands)	
United States	$45,479	$33,906	$28,106
China	2,456	3,120	1,990
Germany	4,185	4,179	1,838
Other International(2)	8,751	5,799	4,566
Total	$60,871	$47,004	$36,500

(2) Other International consists of numerous countries, none of which represents more than 5% of property, plant and equipment, net, for any year presented.

16. CONCENTRATION OF RISK

Credit Risk

The Company's accounts receivable are comprised primarily of large balances due from a small number of major customers, principally distribution partners in the Asia-Pacific region and large department and specialty luggage stores dispersed throughout the United States. Failure of one of the major customers to pay its balance could have a significant impact on the financial position, results of operations and cash flows of the Company. Five of the Company's largest customers in the aggregate accounted for 18.5% of consolidated trade accounts receivable at December 31, 2013 and 2012. These five customers accounted for 10.81%, 11.1% and 11.3% of consolidated net sales for the years ended December 31, 2013, 2012 and 2011, respectively.

Supplier Risk

The Company's product offerings are enhanced by custom raw materials that have specific technical requirements. The Company has selected a limited number of key suppliers with the capability to support these manufacturing requirements and manufactures the majority of its products in Asia. Although alternatives in the supply chain exist, a change in suppliers could cause a delay in manufacturing and have a short-term adverse effect on operating results. Additionally, purchases from these key suppliers are denominated in U.S. dollars. Foreign currency risk associated with these supply arrangements is shared with these suppliers. Five of the Company's largest suppliers accounted for 41.9% and 37.2% of accounts payable at December 31, 2013 and 2012, respectively. These five suppliers accounted for 77.6%, 71.9% and 70.0% of total product purchases for the years ended December 31, 2013, 2012 and 2011, respectively.

17. SHARE-BASED COMPENSATION PLANS AND AWARDS

2012 Long-Term Incentive Plan

In connection with the IPO, the Company adopted the 2012 Plan effective April 18, 2012, which has a term of 10 years. The Company's compensation committee will generally designate those employees, consultants and non-employee directors eligible to participate in the 2012 Plan. Subject to

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adjustment in the event of a merger, recapitalization, stock split, reorganization or similar transaction, 6,786,667 shares, or the share limit, are reserved for issuance in connection with awards granted under the 2012 Plan. Any unexercised, unconverted or undistributed portion of any award that is not paid in connection with the settlement of an award or is forfeited without the issuance of shares shall again be available for grant under the 2012 Plan. Options and stock appreciation rights under the 2012 Plan have a maximum term of 10 years.

The 2012 Plan provides for the grant of stock options (including nonqualified stock options and incentive stock options), restricted stock, restricted stock units, performance awards (which include, but are not limited to, cash bonuses), dividend equivalents, stock payment awards, stock appreciation rights, and other incentive awards. The exercise price of an option or stock appreciation price must be equal to or greater than the fair market value of the Company's common stock on the date of grant.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option valuation model. Due to the limited trading history of the Company's common stock, the volatility assumptions used were based on the weighted average historical stock prices of a peer group which is representative of the Company's size and industry. The Company considers estimates for employee termination and the period of time the options are expected to be outstanding for the option term assumption within the valuation model. The risk-free rate for periods within the contractual life of an option are based on the U.S. Treasury yield curve in effect at the time of the grant.

The following table presents the weighted-average assumptions used to estimate the fair value of the options granted during the periods presented:

	December 31, 2013	December 31, 2012
Weighted-average volatility	45.90%	45.90%
Expected dividend yield	—%	—%
Expected term (in years)	6	6
Risk-free rate	1.13%	1.14%

The following table shows the total compensation cost charged against income for share-based compensation plans and the related tax benefits recognized in the income statement for the periods indicated:

	For the Years Ended December 31,		
	2013	2012	2011
	(In thousands)		
Share-based compensation expense	$2,009	$42	$—
Income tax benefit related to share-based compensation	$ 736	$18	$—

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A summary of option activity under the 2012 Plan as of December 31, 2013 and changes during the twelve months then ended is presented below:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding—December 31, 2012	12,466	$18.00		
Granted	648,179	$20.81		
Exercised	—	—		
Forfeited or expired	(17,601)	$20.45		
Outstanding—December 31, 2013	643,044	$20.76	9.09	$1,227,766
Options vested and expected to vest as of December 31, 2013	595,706	$20.75	9.09	$1,143,593
Options vested and exercisable as of December 31, 2013	6,354	$18.85	8.54	$ 23,521

The weighted-average grant-date fair value of options granted during the years 2013 and 2012 was $9.27 and $8.02, respectively. There were no options issued prior to 2012.

A summary of the status of nonvested shares as of December 31, 2013 and changes during the twelve months then ended is presented below:

	Number of Shares	Weighted-Average Grant-Date Fair Value
Nonvested—December 31, 2012	12,466	$8.02
Granted	648,179	$9.27
Vested	(6,354)	$8.39
Forfeited	(17,601)	$9.09
Nonvested—December 31, 2013	636,690	$9.26

There was $3,457,000 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the 2012 Plan as of December 31, 2013. Such cost is expected to be recognized over a weighted-average period of 3.98 years. The total fair value of shares vested during the year ended December 31, 2013 was $53,320. There were no shares vested prior to 2013.

18. RELATED PARTY TRANSACTIONS

In connection with our IPO, in April 2012 we entered into an amended and restated registration rights agreement with Doughty Hanson & Co IV Nominees One Limited, Doughty Hanson & Co IV Nominees Two Limited, Doughty Hanson & Co IV Nominees Three Limited, Doughty Hanson & Co IV Nominees Four Limited, Officers Nominees Limited, Stockwell Fund, L.P., Brederode International s.à.r.l., HVB Capital Partners AG and certain former stockholders and Jerome Griffith. Jerome Griffith is a party to the agreement only with respect to the piggyback registration rights described below. Pursuant to this registration rights agreement, subject to certain exceptions, holders of a majority of the then registrable common stock collectively have the right to require us to register for public sale under the Securities Act all shares of common stock that it requests be registered. The registration rights agreement limits the requests for registrations pursuant to a fully marketed underwritten offering to three requests per 365-day period, provided that such request covers at least that number of shares with

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an anticipated gross offering price of $25,000,000. In addition, whenever we propose to file a registration statement under the Securities Act (other than a registration on Form S-4 or Form S-8), we are required to give notice of such registration to all parties to the registration rights agreement that hold registrable securities. Such notified persons have piggyback registration rights providing them the right to have us include their shares of common stock in any such registration, subject to the provisions of the registration rights agreement. All expenses of such registrations (including both demand and piggyback registrations), other than underwriting discounts and commissions incurred in connection with registrations, filings or qualifications, will be paid by us.

Pursuant to the Company's obligation under the amended and restated registration rights agreement, the Company incurred $634,000 and $477,000 in connection with the November 2012 and April 2013 secondary offerings of the Company's common stock described in Note 1—Summary of Significant Accounting Policies, respectively.

19. UNAUDITED SELECTED QUARTERLY FINANCIAL DATA

The following tables set forth unaudited selected quarterly financial data for the years ended December 31, 2013 and 2012. In the opinion of management, the following selected quarterly information includes all adjustments, consisting solely of normal recurring adjustments, necessary for the fair statement of the results of operations for these periods. This quarterly data is not necessarily indicative of our operating results for any future period.

	For the Three Months Ended			
	March 31, 2013	June 30, 2013	September 29, 2013	December 31, 2013
	(In thousands, except share and per share data)			
Net sales	$ 102,925	$ 108,189	$ 108,910	$ 147,414
Year over year growth %[1]	29%	13%	14%	16%
Gross margin	$ 58,013	$ 62,310	$ 63,992	$ 84,530
Selling, general and administrative expenses	$ 40,399	$ 44,452	$ 45,466	$ 52,165
Operating income	$ 17,614	$ 17,858	$ 18,526	$ 32,365
Net income	$ 10,535	$ 11,194	$ 12,055	$ 20,775
Basic weighted average common shares outstanding	67,866,667	67,866,667	67,866,667	67,866,667
Diluted weighted average common shares outstanding	67,867,790	67,868,475	67,875,729	67,870,726
Basic earnings per common share	$ 0.16	$ 0.16	$ 0.18	$ 0.31
Diluted earnings per common share	$ 0.16	$ 0.16	$ 0.18	$ 0.31

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	For the Three Months Ended			
	March 25, 2012	June 24, 2012	September 23, 2012	December 31, 2012
	(In thousands, except per share data)			
Net sales	$ 80,021	$ 95,823	$ 95,860	$ 126,847
Year over year growth %(1)	21%	22%	22%	19%
Gross margin	$ 45,405	$ 54,693	$ 55,175	$ 73,186
Selling, general and administrative expenses	$ 32,129	$ 42,659	$ 37,925	$ 44,070
Operating income	$ 13,276	$ 12,034	$ 17,250	$ 29,116
Net (loss) income	$ 2,897	$ 6,485	$ 10,464	$ 16,937
Basic weighted average common shares outstanding(2)	52,536,224	63,838,736	67,866,667	67,866,667
Diluted weighted average common shares outstanding(2)	52,536,224	63,838,825	67,867,667	67,866,991
Basic earnings per common share(2)	$ 0.06	$ 0.10	$ 0.15	$ 0.25
Diluted earnings per common share(2)	$ 0.06	$ 0.10	$ 0.15	$ 0.25
Dividend expense on mandatorily redeemable preferred stock and preferred equity interests	$ 6,286	$ 1,606	$ —	$ —

(1) Year-over-year growth % compares net sales for a particular period with net sales for the comparable prior year interim period.

(2) Gives effect to the 101.200929-for-1 common stock split effected on April 4, 2012 and the 1.037857-for-1 common stock split effective April 19, 2012.

2. The following is an extract of the audited financial statements of the Tumi Group for the year ended December 31, 2014, which were prepared in accordance with U.S. GAAP, from the 2014 annual report of Tumi.

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Consolidated Balance Sheets
(In thousands, except share and per share data)

	At December 31,	
	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 52,796	$ 37,613
Accounts receivable, less allowance for doubtful accounts of approximately $580 and $477 at December 31, 2014 and 2013, respectively	31,890	28,992
Other receivables	3,003	2,914
Inventories, net	89,231	79,969
Prepaid expenses and other current assets	8,315	6,878
Deferred tax assets, current	7,298	5,347
Total current assets	192,533	161,713
Property, plant and equipment, net	79,067	60,871
Deferred tax assets, noncurrent	4,608	2,124
Joint venture investment	2,156	1,960
Goodwill	142,773	142,773
Intangible assets, net	130,414	130,673
Deferred financing costs, net of accumulated amortization of $3,087 and $2,923 at December 31, 2014 and 2013, respectively	372	536
Other assets	10,907	5,837
Total assets	$562,830	$506,487

The accompanying notes are an integral part of these consolidated financial statements.

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Consolidated Balance Sheets (continued)
(In thousands, except share and per share data)

	At December 31, 2014	At December 31, 2013
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 33,898	$ 33,938
Accrued expenses	34,786	32,120
Income taxes payable	2,334	4,680
Total current liabilities	71,018	70,738
Revolving credit facility	—	8,000
Other long-term liabilities	11,407	8,556
Deferred tax liabilities	53,522	51,195
Total liabilities	135,947	138,489
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Common stock—$0.01 par value; 350,000,000 shares authorized, 68,146,673 shares issued and 67,868,867 shares outstanding as of December 31, 2014; 68,144,473 shares issued and 67,866,667 shares outstanding as of December 31, 2013	681	681
Preferred stock—$0.01 par value; 75,000,000 shares authorized and no shares issued or outstanding as of December 31, 2014 and 2013	—	—
Additional paid-in capital	314,217	310,554
Treasury stock, at cost	(4,874)	(4,874)
Retained earnings	119,734	61,725
Accumulated other comprehensive loss	(2,875)	(88)
Total stockholders' equity	426,883	367,998
Total liabilities and stockholders' equity	$562,830	$506,487

The accompanying notes are an integral part of these consolidated financial statements.

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Consolidated Statements of Operations
(In thousands, except share and per share data)

	For the Years Ended December 31,		
	2014	2013	2012
Net sales	$ 527,194	$ 467,438	$ 398,551
Cost of sales	221,227	198,593	170,092
Gross margin	305,967	268,845	228,459
OPERATING EXPENSES			
Selling	36,447	28,875	24,929
Marketing	16,528	17,373	13,713
Retail operations	115,763	98,720	81,379
General and administrative	43,799	37,514	36,762
Total operating expenses	212,537	182,482	156,783
Operating income	93,430	86,363	71,676
OTHER INCOME (EXPENSES)			
Interest expense	(477)	(733)	(1,392)
Dividend expense on mandatorily redeemable preferred stock and preferred equity interests	—	—	(7,892)
Earnings from joint venture investment	279	184	845
Foreign exchange gains (losses)	475	388	(287)
Other non-operating income (expenses)	132	(94)	554
Total other income (expenses)	409	(255)	(8,172)
Income before income taxes	93,839	86,108	63,504
Provision for income taxes	35,830	31,549	26,721
Net income	$ 58,009	$ 54,559	$ 36,783
Weighted average common shares outstanding:			
Basic	67,867,529	67,866,667	63,304,838
Diluted	67,878,340	67,870,688	63,304,948
Basic earnings per common share	$ 0.85	$ 0.80	$ 0.58
Diluted earnings per common share	$ 0.85	$ 0.80	$ 0.58

The accompanying notes are an integral part of these consolidated financial statements.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income
(In thousands)

	For the Years Ended December 31,		
	2014	2013	2012
Net income	$58,009	$54,559	$36,783
OTHER COMPREHENSIVE INCOME			
Foreign currency translation adjustment, net of tax	(2,787)	345	552
Comprehensive income	$55,222	$54,904	$37,335

The accompanying notes are an integral part of these consolidated financial statements.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statement of Changes in Stockholders' Equity
(In thousands, except share data)

	Common Stock						
	Shares	Par Value	Additional Paid-in Capital	Treasury Stock	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total
Balance as of January 1, 2012	52,536,252	$525	$ 48,968	$ (174)	$ (29,617)	$ (985)	$ 18,717
Net income	—	—	—	—	36,783	—	36,783
Issuance of common stock, net of underwriters' discounts and commissions	15,608,221	156	263,935	—	—	—	264,091
Offering costs—other	—	—	(4,410)	—	—	—	(4,410)
Share-based compensation	—	—	42	—	—	—	42
Repurchase of common stock	—	—	—	(4,700)	—	—	(4,700)
Short swing profit recovery	—	—	10	—	—	—	10
Foreign currency translation adjustment, net of tax	—	—	—	—	—	552	552
Balance as of December 31, 2012	68,144,473	681	308,545	(4,874)	7,166	(433)	311,085
Net income	—	—	—	—	54,559	—	54,559
Share-based compensation	—	—	2,009	—	—	—	2,009
Foreign currency translation adjustment, net of tax	—	—	—	—	—	345	345
Balance as of December 31, 2013	68,144,473	681	310,554	(4,874)	61,725	(88)	367,998
Net income	—	—	—	—	58,009	—	58,009
Share-based compensation	—	—	3,618	—	—	—	3,618
Options exercised	2,200	—	45	—	—	—	45
Foreign currency translation adjustment, net of tax	—	—	—	—	—	(2,787)	(2,787)
Balance as of December 31, 2014	68,146,673	$681	$314,217	$(4,874)	$119,734	$(2,875)	$426,883

The accompanying notes are an integral part of these consolidated financial statements.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(In thousands)

	For the Years Ended December 31,		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 58,009	$ 54,559	$ 36,783
Adjustments to reconcile net income to net cash provided by operating activities			
Deferred income tax benefit	(86)	483	(698)
Depreciation and amortization	18,156	14,187	11,504
Share-based compensation expense	3,618	2,009	42
Amortization of deferred financing costs	164	165	218
Allowance for doubtful accounts	(103)	137	(122)
Earnings from joint venture	(279)	(184)	(845)
Loss on disposal of fixed assets	1,096	261	422
Dividend expense on mandatorily redeemable preferred stock and preferred equity interests	—	—	7,892
Other non-cash charges	350	482	742
Changes in operating assets and liabilities			
Accounts receivable	(5,328)	(7,882)	1,638
Other receivables	(220)	(1,213)	70
Inventories	(10,843)	(8,773)	(10,290)
Prepaid expenses and other current assets	(1,566)	(3,606)	(167)
Other assets	(6,070)	(861)	1,005
Prepaid income taxes	2,334	384	(384)
Accounts payable	91	6,525	50
Accrued expenses	2,830	606	3,914
Income tax payable	(4,565)	4,680	(4,336)
Other liabilities	2,946	1,257	1,002
Total adjustments	2,525	8,657	11,657
Net cash provided by operating activities	60,534	63,216	48,440
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(36,576)	(25,440)	(21,286)
Net cash used in investing activities	(36,576)	(25,440)	(21,286)

The accompanying notes are an integral part of these consolidated financial statements.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (continued)
(In thousands)

	For the Years Ended December 31,		
	2014	2013	2012
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments on revolving credit facility	$ (8,000)	$(37,000)	$ (19,000)
Options exercised	45	—	—
Proceeds from issuance of common stock, net of underwriters' discounts and commissions	—	—	264,091
Payment for repurchase of preferred shares and preferred equity interests	—	—	(259,321)
Repurchase of common stock	—	—	(4,700)
Payments for initial public offering costs	—	—	(4,272)
Short swing profit recovery	—	—	10
Net cash used in financing activities	(7,955)	(37,000)	(23,192)
Effect of exchange rate changes on cash	(820)	100	40
Net increase in cash and cash equivalents	15,183	876	4,002
Cash and cash equivalents at beginning of period	37,613	36,737	32,735
Cash and cash equivalents at end of period	$52,796	$ 37,613	$ 36,737
Supplemental disclosures of cash flow information:			
Cash paid for interest	$ 117	$ 320	$ 885
Cash paid for income taxes	$38,021	$ 26,441	$ 31,947
Supplemental disclosure of noncash investing activities:			
Accrued capital expenditures	$ 2,117	$ 2,231	$ 668

The accompanying notes are an integral part of these consolidated financial statements.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

Tumi Holdings, Inc. (together with its subsidiaries, the "Company") is a leading designer, producer and marketer of a comprehensive line of travel and business products and accessories in multiple categories. Prior to the Company's initial public offering (the "IPO") in April 2012, the Company also included its controlled affiliate, Tumi II, LLC (the "LLC"). In connection with the IPO, the LLC was merged with and into Tumi Holdings, Inc., with Tumi Holdings, Inc. continuing as the surviving corporation. The Company's product offerings include travel bags, business cases, totes, handbags, business and travel accessories and small leather goods. The Company designs its products for, and markets its products to, sophisticated professionals, frequent travelers and brand-conscious individuals who enjoy the premium status and durability of Tumi products. The Company sells its products through a network of company-owned full-price stores and outlet stores, partner stores, concessions, shop-in-shops, specialty luggage shops, high-end department stores and e-commerce distribution channels. The Company has approximately 1,800 points of distribution in over 75 countries, and its global distribution network is enhanced by the use of its three logistics facilities located in the United States, Europe and Asia. The Company designs its products in its U.S. design studios and selectively collaborates with well-known, international, industrial and fashion designers for limited edition product lines. Production is sourced globally through a network of suppliers based in Asia, many of which are longtime suppliers, and the Caribbean.

The Company's business is seasonal in nature and, as a result, net sales and working capital requirements fluctuate from quarter to quarter. The Company's fourth quarter is a significant period with regard to the results of operations due to increased Direct-to-Consumer sales during the holiday season in North America and Europe. During the fourth quarter, the Company expects inventory levels, accounts payable and accrued expenses to increase commensurate with net sales.

Initial Public Offering

In April 2012, the Company completed its IPO of 15,608,221 shares of common stock sold by the Company and 5,988,624 shares of common stock sold by certain of the Company's stockholders (inclusive of 2,816,980 shares of common stock from the full exercise of the option granted to the underwriters to purchase additional shares from certain of the selling stockholders). The initial public offering price of the shares sold in the IPO was $18.00 per share. The Company did not receive any proceeds from the sale of shares by the selling stockholders. The total proceeds to the Company, net of underwriters' discounts and commissions, were approximately $264.1 million. The Company used the net proceeds received from the IPO to repurchase all of its preferred stock and preferred equity interests and 277,778 shares of its common stock owned by funds managed by, or entities affiliated with, Doughty Hanson & Co. Managers Limited (collectively, "Doughty Hanson"). The IPO costs incurred were charged against the net proceeds of the IPO and recorded in stockholders' equity during the second quarter of 2012.

In connection with the IPO, the Company also

- effected a 101.200929-for-1 common stock split effective April 4, 2012 and a subsequent 1.037857-for-1 common stock split effective April 19, 2012;

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

- merged the LLC with and into Tumi Holdings, Inc., with Tumi Holdings, Inc. continuing as the surviving corporation, and cancelled all common interests in the LLC;
- increased its authorized shares of common stock to 350,000,000 and authorized 75,000,000 shares of preferred stock;
- entered into an amended and restated credit facility effective April 4, 2012;
- paid a one-time special bonus of $5,511,693 to its CEO, which was expensed by the Company in the second quarter of 2012; and
- adopted its 2012 Long-Term Incentive Plan (the "2012 Plan").

Registered Secondary Offerings of the Company's Common Stock

In November 2012, the Company completed a secondary offering of common stock sold by certain of the Company's stockholders. The selling stockholders, which included certain of the Company's officers, sold 11,375,975 shares of our common stock in the offering (inclusive of 1,275,975 shares of common stock from the partial exercise of the option granted to the underwriters to purchase additional shares from certain of the selling stockholders). The Company did not receive any proceeds from the sale of shares by the selling stockholders. The offering expenses incurred by the Company were approximately $634,000, which included legal and accounting costs and various other fees associated with the offering.

In April 2013, the Company completed an additional secondary offering of common stock sold by certain of the Company's stockholders. The selling stockholders, which included certain of the Company's officers, sold 11,661,000 shares of our common stock in the offering (inclusive of 1,521,000 shares of common stock from the full exercise of the option granted to the underwriters to purchase additional shares from certain of the selling stockholders). The Company did not receive any proceeds from the sale of shares by the selling stockholders. The offering expenses incurred by the Company were approximately $477,000, which included legal and accounting costs and various other fees associated with the offering.

In September 2014, the Company completed an additional secondary offering of common stock sold by certain of the Company's stockholders. The selling stockholders, comprised of funds managed by, or affiliated with, Doughty Hanson sold 8,000,000 shares of our common stock in the offering. The Company did not receive any proceeds from the sale of shares by the selling stockholders. The offering expenses incurred by the Company were approximately $196,000, which included legal and accounting costs and various other fees associated with the offering.

Principles of Consolidation

The consolidated financial statements of the Company include the accounts of Tumi Holdings, Inc. and its subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation.

The Company uses the equity method of accounting for its joint venture investment, which is 50% owned, as the Company has the ability to exercise significant influence over the operating and

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

financial policies of the joint venture but does not control the joint venture. The Company's share of the earnings or losses of the joint venture is included in the Consolidated Statements of Operations as "Earnings from Joint Venture Investment."

Segment Reporting

The Company became subject to and adopted the provisions of the Financial Accounting Standards Board's (the "FASB") guidance for segment reporting in 2011. Segment information has been provided on the basis of the Company's four reportable segments for all periods presented (see Note 15—Segment Information), which are: (i) Direct-to-Consumer North America; (ii) Indirect-to-Consumer North America; (iii) Direct-to-Consumer International; and (iv) Indirect-to-Consumer International.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include valuation of goodwill and intangibles, allowance for doubtful accounts, adjustments for slow-moving and obsolete inventory, accrued warranties, realization of deferred tax assets, income tax uncertainties, the valuation of share-based compensation and related forfeiture rates, and useful lives of assets. Actual results could differ materially from those estimates.

Reclassification

Certain prior period amounts have been reclassified to conform to the current year presentation.

Revenue Recognition

Revenue is generated from the sale of the Company's products and is classified as "Net Sales" in the Company's Consolidated Statements of Operations. The Company recognizes revenue in its Direct-to-Consumer segment when inventory is received by the customer and the related title passes. In the Company's Indirect-to-Consumer segment, revenue is recognized when inventory is in possession of the wholesale customers or their appointed carriers, at which point the related title passes. Provisions for discounts, rebates to customers and returns are recorded as a reduction of revenue in the same period as the related sales. Revenue associated with gift cards is recognized upon redemption. Revenue from gift cards and the amount of revenue recognized for gift cards not redeemed ("breakage") is immaterial to these consolidated financial statements. Amounts billed to customers for delivery costs are classified as a component of net sales and the related delivery costs are classified as a component of cost of sales. Sales and value added tax collected from customers and remitted to governmental authorities are accounted for on a net basis and are excluded from net sales in the Consolidated Statements of Operations.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Cash and Cash Equivalents

The Company's cash and cash equivalents are defined as cash and short-term highly liquid investments with an original maturity of three months or less from the date of purchase. The Company's cash and cash equivalents consist of cash in banks as of December 31, 2014 and 2013.

Effective January 1, 2013, funds held in "noninterest-bearing transaction accounts" are aggregated with any interest-bearing accounts, and the combined total is insured up to a maximum of $250,000. The term "noninterest-bearing transaction account" includes a traditional checking account or demand deposit account on which the insured depository institution pays no interest. The total excess of the bank account balances over the Federal Deposit Insurance Corporation (" FDIC") limit effective at each period end was approximately $46,300,000 and $26,590,000 at December 31, 2014 and 2013, respectively. The total cash in international bank accounts, which is not covered under the FDIC, was approximately $6,245,000 and $10,720,000 at December 31, 2014 and 2013, respectively.

Accounts Receivable and Allowance for Doubtful Accounts

Credit is extended to customers based on evaluation of a customer's financial condition. Generally, collateral is not required. Accounts receivable are due within 30 days to 90 days and are stated at amounts due from customers net of an allowance for doubtful accounts. Accounts receivable outstanding longer than the contractual payment terms are considered past due.

The Company determines its allowance for doubtful accounts by considering a number of factors, including the length of time trade receivables are past due, the Company's previous loss history, the customer's current ability to pay its obligation and the condition of the general economy and the industry as a whole. The Company writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

The following table summarizes the activity in the allowance for doubtful accounts for the years ended December 31, 2014, 2013 and 2012:

	For the Years Ended December 31,		
	2014	2013	2012
		(In thousands)	
Balance, beginning of year	$(477)	$(340)	$(462)
Provision charged to expense	(119)	(271)	34
Amounts written off	16	134	88
Balance, end of year	$(580)	$(477)	$(340)

Inventories

Inventories consist primarily of finished goods and are valued at the lower of cost or market. Cost is determined using the first-in, first-out method. Inventory includes material, labor, overhead, freight, and duty and is adjusted for slow-moving and obsolete inventory.

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Notes to Consolidated Financial Statements

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of their estimated useful lives or the terms of the respective leases. Repairs and maintenance costs are expensed as incurred; major renewals or betterments are capitalized.

Long-Lived Assets

The Company reviews long-lived assets, such as property, plant and equipment and certain identifiable intangibles with finite lives, for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Some factors the Company considers important which could trigger an impairment review include: (i) significant underperformance compared to expected historical or projected future operating results; (ii) significant changes in the Company's use of the acquired assets or the strategy for its overall business; and (iii) significant negative industry or economic trends. No impairment was recognized during the years ended December 31, 2014, 2013 and 2012.

Deferred Financing Costs

The net balance of the costs incurred for obtaining debt financing was $372,000 and $536,000 as of December 31, 2014 and 2013, respectively. The Company amortizes deferred financing costs to interest expense over the lives of the related financing agreements. During the years ended December 31, 2014, 2013 and 2012, respectively, $164,000, $165,000 and $218,000 was amortized to interest expense.

Offering Costs

In 2011, the Company commenced the process for its initial public offering of the shares of its common stock. The specific incremental costs directly attributable to the offering were initially deferred and recorded as "Deferred Offering Costs" in the consolidated balance sheet as of December 31, 2011. The offering was completed in April 2012 and the deferred offering costs were charged against the net proceeds of the IPO and recorded in stockholders' equity during the second quarter of 2012.

In November 2012, April 2013 and September 2014, the Company completed secondary offerings of common stock sold by certain of the Company's stockholders. The Company did not issue or sell any shares in the offerings or receive any proceeds from the sale of shares and the offering expenses incurred were expensed directly to operating expenses.

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of net assets acquired, including intangible assets. Indefinite-lived intangible assets consist of brand/trade name. Goodwill and brand/trade name are not being amortized in accordance with the provisions of the FASB's guidance, which requires these assets to be tested for impairment annually and whenever events or

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

changes in circumstances indicate that the carrying value may not be recoverable. The Company's annual impairment testing date is the first day of its fourth quarter. No impairment was recognized in the years ended December 31, 2014, 2013 and 2012.

The quantitative goodwill impairment test, if necessary, is a two-step process. Under the first of two steps, the Company compares the fair value of a reporting unit to its carrying amount, including goodwill, to identify a potential impairment. If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for such reporting unit and the enterprise must perform step two of the impairment test to measure the impairment, if any. Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation: the fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill.

The Company uses techniques including discounted expected future cash flows (Level 3 input), or DCF, to test goodwill. Indefinite-lived intangible assets are tested for impairment through an income approach known as the relief from royalty method. A discounted cash flow analysis calculates the fair value by estimating the after-tax cash flows attributable to a reporting unit or asset and then discounting the after-tax cash flows to a present value using a risk-adjusted discount rate. Assumptions used in DCF and the relief from royalty method require the exercise of significant judgment including judgment about appropriate royalty rates, discount rates and terminal values, growth rates and the amount and timing of expected future cash flows. Although the Company believes the historical assumptions and estimates made are reasonable and appropriate, different assumptions and estimates could materially impact its reported financial results.

The Company's reporting units for the purpose of goodwill impairment testing are the reportable business segments: (i) Direct-to-Consumer North America, (ii) Indirect-to-Consumer North America, (iii) Direct-to-Consumer International and (iv) Indirect-to-Consumer International. The reporting units were determined in accordance with the guidance on reportable segments in FASB ASC 280-10-50-1. There is no discrete financial information available to the Company for its operations below its reportable business segments.

Share-Based Compensation

Share-based compensation represents the cost related to equity awards granted to employees under the 2012 Plan. The Company measures share-based compensation cost at the grant date based on the estimated fair value of the award and recognizes the cost on a straight-line basis (net of estimated forfeitures) over the vesting period. The Company estimates the fair value of stock options using the Black-Scholes valuation model. All share-based compensation costs are recorded in cost of sales or the various operating expense lines in the consolidated statements of operations based on the employee's respective function (see Note 17—Share-Based Compensation Plans and Awards).

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Performance-based RSUs are awards denominated in units that are settled in shares of the Company's common stock upon vesting. The vesting of these units is subject to the employee's continuing employment and the Company's achievement of certain performance goals during the applicable vesting period. The fair value of performance-based RSUs is based on the fair value of the Company's common stock on the date of grant. Expense for performance-based RSUs is recognized over the employees' requisite service period when the attainment of the performance goal is deemed probable.

Service-based RSUs have been granted to the Board of Directors and generally vest over a one-year period, subject to the director's continuing service on the Board of Directors. The fair value of service-based RSUs is based on the fair value of the Company's common stock on the date of grant.

Fair Value Measurements

The Company applies the FASB's guidance for "Fair Value Measurements." Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. The hierarchy of those valuation approaches is broken down into three levels based on the reliability of inputs as follows:

Level 1— Inputs that are quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The valuation under this approach does not entail a significant degree of judgment.

Level 2— Inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates and yield curves observable at commonly quoted intervals or current market) and contractual prices for the underlying financial instrument, as well as other relevant economic measures.

Level 3— Inputs that are unobservable for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The Company's non-financial assets which are subject to nonrecurring fair value measurements include goodwill, intangible assets and property, plant and equipment. These assets are recorded at carrying value. However, whenever events or changes in circumstances indicate that their carrying value may not be fully recoverable (or at least annually for goodwill and indefinite-lived intangible

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Notes to Consolidated Financial Statements

assets), such assets are assessed for impairment and, if applicable, written down to and recorded at fair value. To measure fair value for such assets, the Company uses techniques including DCF.

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable, were reasonable estimates of their fair value as of December 31, 2014 and 2013. The Company's variable interest rate credit facility (See Note 8—Credit Facilities) was paid in full during 2014. As of December 31, 2013 the carrying amount was a reasonable estimate of its fair value. If measured at fair value in the financial statements, the Company's variable interest rate credit facility would be classified as Level 2 in the fair value hierarchy.

Income Taxes

The Company utilizes the asset and liability method of accounting for income taxes, under which deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company applies the FASB's provisions for uncertain tax positions. The Company utilizes the two step process to determine the amount of recognized tax benefit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company recognizes interest and penalties associated with uncertain tax positions as a component of income tax expense.

Foreign Currency Translation

The financial statements of the Company's branch offices and subsidiaries in Europe are measured using a currency other than the U.S. dollar.

Assets and liabilities recorded in functional currencies other than U.S. dollars are translated into U.S. dollars at the year-end rate of exchange. Revenues and expenses are translated at the average exchange rates for the year. The resulting translation adjustments are charged or credited to other comprehensive income.

Realized foreign currency transaction gains and losses on transactions denominated in currencies other than the functional currency, such as those resulting from the settlement of receivables and payables denominated in foreign currency, are included in the earnings of the current period in "Foreign Exchange Gains (Losses)."

Unrealized gains and losses on intercompany foreign currency transactions that are of a long-term investment nature (that is settlement is not planned or anticipated in the foreseeable future) are recorded in other comprehensive income. Unrealized gains and losses on intercompany foreign

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

currency transactions for which settlement is anticipated are included in the determination of net income. During the year ended December 31, 2014, the Company deemed $36,500,000 of intercompany receivables from its German subsidiary to be permanently invested. Accordingly, these amounts have been reclassified to contributed capital, reflecting the permanent nature of the investment.

Advertising Costs

The Company expenses advertising costs as incurred. Total advertising expenses, excluding cooperative advertising costs, included in operating expenses in the accompanying Consolidated Statements of Operations were approximately $7,935,000, $8,502,000 and $6,443,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

Cooperative Advertising Costs

The Company accounts for certain advertising costs in accordance with the FASB's guidance for "Customer Payments and Incentives," ASC Topic 605-50. This standard provides guidance with respect to the statement of operations classification of and the accounting for recognition and measurement of consideration given by a vendor to a customer, which includes sales incentive offers labeled as discounts, coupons, rebates and free products or services as well as arrangements labeled as slotting fees, cooperative advertising and buy downs. As per the FASB's guidance, the Company records cooperative advertising costs in marketing expenses, as it receives a "separately identifiable benefit in exchange for the consideration." Additionally, the Company is able to establish the fair value of the cooperative advertising costs from the information obtained from the retailer. Based on this information, the Company has determined that the amount of consideration paid does not exceed the fair value of the benefit received. The Company recognized cooperative advertising expense of approximately $3,148,000, $3,234,000 and $2,619,000 as a marketing expense in the accompanying Consolidated Statements of Operations for the years ended December 31, 2014, 2013 and 2012, respectively.

Store Preopening Expenses

Costs incurred prior to the opening of a new store are expensed as incurred.

Warranties

The Company provides its customers with a product warranty subsequent to the sale of its products. The Company's warranty policy provides for one year of worry-free service as well as an additional warranty against manufacturers' defects or flaws in construction for between two and five years, depending on the product line. The Company recognizes estimated costs associated with the limited warranty at the time of sale of its products. The warranty reserve is based on historical experience.

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Treasury Stock

In the past, the Company has repurchased treasury stock. These treasury stock transactions have been recorded using the cost method.

Dividend Expense on Mandatorily Redeemable Preferred Stock and Preferred Equity Interests

Dividends accrued on the Company's mandatorily redeemable preferred stock and preferred equity interests (see Note 12—Mandatorily Redeemable Preferred Stock and Preferred Equity Interests) are presented in other income (expenses) in the consolidated statements of operations for the year ended December 31, 2012. All of the Company's preferred stock and preferred equity interests were repurchased at carrying value (inclusive of all accrued dividends) in connection with our IPO in April 2012.

Earnings per Common Share

Basic earnings per common share is computed by dividing income available to common stockholders by the weighted-average common shares outstanding for the period. Diluted earnings per common share is computed on the basis of the weighted-average number of common shares outstanding plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method.

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In July 2013, the FASB issued ASU No. 2013-11, "Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward exists." This amended guidance requires an entity to present an unrecognized tax benefit as a reduction of a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carry forward. If an applicable deferred tax asset is not available or a company does not expect to use the applicable deferred tax asset, the unrecognized tax benefit should be presented as a liability in the financial statements and should not be combined with an unrelated deferred tax asset. The new guidance is effective prospectively for fiscal years and interim periods beginning after December 15, 2013, with early adoption permitted. The Company adopted the amended guidance effective January 1, 2014 and it did not have a material effect on its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" which amended the existing accounting standards for revenue recognition. ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. It is effective for annual reporting periods beginning after December 15, 2016. Early adoption is not permitted. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Company is currently in the process of evaluating the impact of adoption of the ASU on its consolidated financial statements, but does not expect the impact to be material.

In June 2014, the FASB issued ASU 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite

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Service Period (Topic 718)". ASU 2014-12 requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. ASU 2014-12 is effective for annual reporting periods beginning after December 15, 2015, with early adoption permitted. The Company is evaluating the potential impacts of the new standard on its existing share-based compensation plans, but does not expect the impact to be material.

3. INVENTORIES, NET

Inventories, net consist of the following:

	At December 31, 2014	At December 31, 2013
	(In thousands)	
Raw materials	$ 318	$ 367
Finished goods	88,913	79,602
Total inventories, net	$89,231	$79,969

4. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net consists of the following:

	Useful Life	At December 31, 2014	At December 31, 2013
		(In thousands)	
Land	—	$ 485	$ 485
Buildings and improvements	25 years	5,395	5,066
Leasehold and store enhancements	5 to 10 years	102,168	87,917
Furniture, computers and equipment	3 to 5 years	18,673	17,011
Capitalized software	5 years	9,908	5,443
Fixtures, dies and autos	3 to 5 years	19,994	17,196
Construction in progress		5,590	5,926
		162,213	139,044
Less accumulated depreciation and amortization		(83,146)	(78,173)
		$ 79,067	$ 60,871

Depreciation and amortization expense on property, plant and equipment was $17,897,000, $13,914,000 and $11,231,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

5. JOINT VENTURE

Tumi Japan

In June 2003, the Company entered into a Joint Venture Agreement ("JV Agreement") with ACE Co., Ltd. ("Ace") and Itochu Corporation ("Itochu") to form the Tumi Japan Joint Venture ("Tumi Japan") and contributed $213,000 at inception. The purpose of Tumi Japan is to sell, promote and distribute the Company's products in Japan. As of December 31, 2014 and 2013, the Company owned 50% of Tumi Japan.

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This investment is accounted for under the equity method. The Company's share of undistributed earnings from the joint venture, which is included in retained earnings, was a cumulative gain of approximately $1,800,000 as of December 31, 2014.

Pursuant to the JV Agreement, the Company has the option but not the obligation to purchase an additional interest in Tumi Japan up to an ownership percentage of 66% after the tenth year of the existence of Tumi Japan. The amount to be paid per share is based on a predetermined formula according to the agreement and is payable in Japanese yen.

Sales to Itochu during the years ended December 31, 2014, 2013 and 2012 were $15,698,000, $13,779,000, and $11,260,000, respectively. As of December 31, 2014 and 2013, the Company had accounts receivable due from Itochu of $1,870,000 and $1,069,000, respectively.

6. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and intangible assets consisted of the following at December 31:

	Range of Lives (Years)	2014	2013
		(In thousands)	
Goodwill	Indefinite	$142,773	$142,773
Intangible assets			
Brand/trade name	Indefinite	$130,400	$130,400
Customer relationships	10	1,100	1,100
Lease value	8	1,359	1,359
		2,459	2,459
Less accumulated amortization		(2,445)	(2,186)
		14	273
Intangible assets, net		$130,414	$130,673

Substantially all of the Company's goodwill and intangible assets relate to an acquisition in 2004.

The range of lives of the intangible assets was determined by management, which at times will engage an independent third-party appraisal firm to assist in considering the determination of the lives of intangible assets.

The estimated aggregate amortization and retail operations expense as of December 31, 2014 was as follows:

Year Ending December 31,	Customers Relationships	Lease Value	Total
	(In thousands)		
2015	—	14	14
	$—	$14	$14

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Amortization expense of the customer relationships, included in general and administrative expense, was $96,000 in the year ended December 31, 2014 and $110,000 in each of the years ended December 31, 2013 and 2012. Included in retail operations expense was $163,000 of amortization expense for the lease value in each of the years ended December 31, 2014, 2013 and 2012.

The Company's goodwill by segment was as follows as of December 31:

	2014	2013
	(In thousands)	
Direct-to-Consumer North America	$ 48,779	$ 48,779
Direct-to-Consumer International	6,682	6,682
Indirect-to-Consumer North America	22,719	22,719
Indirect-to-Consumer International	64,593	64,593
Goodwill	$142,773	$142,773

There is no accumulated impairment of goodwill for any period presented.

7. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued Expenses

Accrued expenses as of December 31 consisted of the following:

	At December 31,	
	2014	2013
	(In thousands)	
Warranty	$ 8,033	$ 7,339
Fixed asset purchases	5,762	5,128
Severance	681	761
Incentive compensation	2,945	3,550
Marketing	2,674	2,770
Professional fees	920	862
Sales tax	3,588	2,375
Payroll costs	1,015	1,314
Other	9,168	8,021
	$34,786	$32,120

Other Long-Term Liabilities

Other long-term liabilities as of December 31, 2014 and 2013 consisted of deferred rent and a liability for uncertain tax positions.

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Accrued Warranties

The activity in the warranty reserve account was as follows:

	At December 31,		
	2014	2013	2012
	(In thousands)		
Liability, beginning of period	$ 7,339	$ 6,807	$ 6,212
Provision for warranties	3,820	3,381	3,273
Warranty claims	(3,126)	(2,849)	(2,678)
Liability, end of period	$ 8,033	$ 7,339	$ 6,807

8. CREDIT FACILITIES

Amended and Restated Credit Facility

On April 4, 2012, Tumi, Inc. and Tumi Stores, Inc., each a direct or indirect wholly-owned subsidiary of the Company (the "Borrowers"), entered into an amended and restated credit facility (the "Amended Credit Facility"), with Wells Fargo Bank National Association ("Wells Fargo") as lender and collateral agent.

The Amended Credit Facility consolidated the term loan facility and the revolving credit facility previously provided in the Company's former debt facility with Wells Fargo into a single $70,000,000 senior secured revolving credit facility, with Wells Fargo as the sole lender, and extended the maturity of the facility until April 4, 2017. The Amended Credit Facility included a letter of credit sublimit not to exceed the undrawn amount of the revolving commitments.

On August 29, 2013, the Amended Credit Facility was amended to reduce the letter of credit sublimit to $5,000,000.

Borrowings under the Amended Credit Facility bear interest at a per annum rate equal to, at the Borrowers' option, the one, two, three or six month (or such other period as Wells Fargo may agree) LIBOR rate plus a margin of 1.00% or 1.25%, or a base rate (the greater of (i) Wells Fargo's prime rate in effect on such day and (ii) the federal funds rate plus 1/2 of 1.00%) plus a margin of zero or 0.25%. The Borrowers are required to pay an undrawn commitment fee equal to 0.15% or 0.20% of the undrawn portion of the commitments under the Amended Credit Facility, as well as customary letter of credit fees. The margin added to the LIBOR, or base rate, as well as the amount of the commitment fee, depends on the Company's leverage at the time. Interest is payable monthly, bi-monthly or quarterly on LIBOR rate loans depending on the interest period for each LIBOR rate loan, or quarterly on base rate loans.

As of December 31, 2014 the Company had no balance outstanding under the Amended Credit Facility. As of December 31, 2013, the balance outstanding on the facility was $8,000,000 and bore interest at the market LIBOR rate of 0.17% plus 100 basis points. Letters of credit totaling $286,000 were outstanding under the facility at both December 31, 2014 and 2013 and, accordingly, the unused portion of the facility was $69,714,000 and $61,714,000, respectively. The fee for the unused portion of the facility was $104,000 and $70,000 for the years ended December 31, 2014 and 2013, respectively.

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All obligations under the Amended Credit Facility are required to be guaranteed by each of the Borrowers' material domestic subsidiaries, subject to certain exclusions. The obligations under the Amended Credit Facility are secured by substantially all of the Borrowers' assets and, if applicable, those of the Borrowers' subsidiary guarantors. Currently the Borrowers do not have any subsidiary guarantors.

The Amended Credit Facility contains customary events of default, including, but not limited to, payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults under material debt, certain events of bankruptcy and insolvency, defaults based on certain judgments, failure of any material provision of any loan document to be in full force and effect, change of control, and certain ERISA defaults. If an event of default were to occur and continue, amounts due under the Amended Credit Facility would be accelerated and the commitments to extend credit thereunder terminated, and the rights and remedies of Wells Fargo under the Amended Credit Facility available under the applicable loan documents could be exercised, including rights with respect to the collateral securing the obligations under the Amended Credit Facility.

The Company reviewed the terms of the Amended Credit Facility and was satisfied that all conditions were met, pursuant to the FASB's guidance, to treat the transaction as a debt modification, which required the Company to expense third party fees and add the related fees paid to Wells Fargo to the existing debt issuance costs.

Debt Covenants

The Amended Credit Facility contains customary covenants, including, but not limited to, limitations on the ability of the Borrowers and their subsidiaries to incur additional debt and liens, dispose of assets, and make certain investments and restricted payments, including the prepayment of certain debt and cash dividends. In addition, the Amended Credit Facility contains financial covenants requiring that the Borrowers maintain (a) a minimum ratio of consolidated adjusted EBITDA to consolidated cash interest expense (as such terms are defined in the Amended Credit Facility) of not less than 4.00 to 1.00 and (b) a maximum ratio of consolidated total debt to consolidated adjusted EBITDA of no greater than 2.25 to 1.00. The Company was in compliance in all material respects with all such covenants as of December 31, 2014.

Long-Term Debt

Long-term debt as of the indicated dates consisted of the following:

	At December 31,	
	2014	2013
	(In thousands)	
Amended Credit Facility: Revolver loan payable April 4, 2017, including interest at a LIBOR rate (0.17% at December 31, 2013) plus 1.00% at December 31, 2013.	$—	$8,000
	$—	$8,000

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9. COMMITMENTS AND CONTINGENCIES

Leases

The Company leases certain office, distribution and retail facilities. The lease agreements, which expire at various dates through 2027, are subject, in some cases, to renewal options and provide for the payment of taxes, insurance and maintenance. Certain leases contain escalation clauses resulting from the pass-through of increases in operating costs, property taxes and the effect on costs from changes in consumer price indices. Certain rentals are also contingent upon factors such as sales. Rent-free periods and scheduled rent increases are recorded as components of rent expense on a straight-line basis over the related terms of such leases. Contingent rentals are recognized when the achievement of the target (i.e., sales levels) which triggers the related payment is considered probable. Such expenses were not material for the years ended December 31, 2014, 2013 and 2012.

Future minimum lease payments under all non-cancellable operating leases with initial or remaining terms in excess of one year as of December 31, 2014 were as follows:

At December 31, 2014 (In thousands)	
2015	$ 28,266
2016	25,719
2017	24,165
2018	22,673
2019	21,005
Thereafter	75,991
	$197,819

Rent expense under all operating leases for the Company was approximately $35,865,000, $28,765,000 and $23,146,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

Litigation

From time to time, we may be subject to legal proceedings and claims in the ordinary course of business, including proceedings to protect our intellectual property rights. The Company is not currently a party to any legal proceedings, the adverse outcome of which, in management's opinion, would have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

Bonus Agreement

Pursuant to an amended and restated letter agreement dated July 8, 2009, the Company's Chief Executive Officer ("CEO") was entitled to receive a special bonus in connection with the completion of a qualified sale event or initial public offering that resulted in an enterprise value of the Company of $600,000,000 or greater. Based on the enterprise value of the Company at the time of the IPO, the special bonus was paid and expensed in April 2012 in the amount of $5,511,693.

Web Service Provider Agreement

Pursuant to the Company's agreement with its web services provider, the Company served an early termination notice to said provider in the second quarter of 2013 and accrued a $1,500,000

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(pre-tax) early termination fee pursuant to the terms of this agreement. This amount was paid in December 2013. The original agreement was scheduled to expire on December 31, 2015. The Company transitioned its North America web store during the fourth quarter of 2014 and intends to transition its international web stores to a more insourced model during 2015. The Company intends to use its third-party provider's services for international web stores until such time.

10. INCOME TAXES

The components of United States and foreign income from operations before income taxes were as follows:

	For the Years Ended December 31,		
	2014	2013	2012
		(In thousands)	
United States	$89,022	$81,554	$63,001
Foreign	4,817	4,554	503
Total income before income taxes	$93,839	$86,108	$63,504

The provision for income taxes is as follows:

	For the Years Ended December 31,		
	2014	2013	2012
		(In thousands)	
Current provision			
Federal	$29,288	$27,515	$22,745
State	4,846	3,340	3,392
Foreign	1,782	211	1,282
Total current provision	35,916	31,066	27,419
Deferred			
Federal	(145)	1,124	(335)
State	38	(565)	(317)
Foreign	21	(76)	(46)
Total deferred provision	(86)	483	(698)
Total provision for income taxes	$35,830	$31,549	$26,721

The differences between income taxes based on the statutory U.S. federal income tax rate of 35% and the Company's effective income tax rate are provided in the following reconciliation:

	For the Years Ended December 31,		
	2014	2013	2012
		(In thousands)	
Statutory federal income tax	$32,844	$30,138	$22,226
Dividend expense on mandatorily redeemable preferred stock and preferred equity interests	—	—	2,762
State and local net of federal benefit	3,174	1,694	1,789
Other	(188)	(283)	(56)
Total provision for income taxes	$35,830	$31,549	$26,721

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The major components of deferred income taxes were as follows:

	At December 31, 2014	At December 31, 2013
	(In thousands)	
Deferred tax assets		
Net operating loss—foreign	$ 1,633	$ 2,067
Warranty reserves	3,000	2,725
Rent expense	2,336	1,968
Other comprehensive income	2,073	51
Inventory reserves	912	819
Other	668	586
Depreciation	156	114
Accrued expenses	525	473
Allowance for doubtful accounts	217	177
Share-based compensation	2,116	746
Valuation allowance	(1,730)	(2,255)
Total deferred tax assets, net	11,906	7,471
Deferred tax liabilities		
Intangibles	(48,712)	(48,536)
Depreciation	(4,810)	(2,659)
Total deferred tax liabilities, net	(53,522)	(51,195)
Total deferred tax balance	$(41,616)	$(43,724)
Amounts included in the consolidated balance sheet:		
Deferred tax assets, current	$ 7,298	$ 5,347
Deferred tax asset, noncurrent	4,608	2,124
Deferred tax liabilities	(53,522)	(51,195)
Total	$(41,616)	$(43,724)

Approximately $48,707,000 and $48,467,000 of deferred tax liabilities were recognized as of December 31, 2014 and 2013, respectively, to reflect the potential future tax liability relating to the $131,500,000 of identifiable intangible assets arising out of the purchase price valuation adjustment in 2004. Approximately $2,073,000 of deferred tax assets as of December 31, 2014 related to unrealized gains recorded in other comprehensive income.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets relating to a particular jurisdiction is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible in that jurisdiction.

Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, with the exception of certain foreign net operating losses and deferred tax assets.

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At December 31, 2014 and 2013, there were approximately $5,040,000 and $6,958,000 of gross foreign net operating loss carryforwards, respectively. The majority of these net operating loss carryforwards have an unlimited carryforward period. A valuation allowance of $1,633,000 and $2,067,000 was recorded at December 31, 2014 and 2013, respectively, related to the foreign net operating losses. It is anticipated that these will not be utilized due to continuing losses in these jurisdictions.

The Company has elected to treat all of its foreign subsidiaries as disregarded entities for U.S. income tax purposes. Accordingly, the taxable income of the Company's foreign subsidiaries is taxed currently in the U.S. and no deferred tax liability exists in regards to the unrepatriated earnings of the subsidiaries.

The Company applies the FASB's provisions for uncertain tax positions. The Company utilizes the two step process to determine the amount of recognized tax benefit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company recognizes interest and penalties associated with certain tax positions as a component of income tax expense.

For years prior to 2011, the federal statute of limitations is closed. There is currently an audit of the 2012 Federal tax return. The outcome of this audit is undetermined. The Company files income tax returns in various states and most of the states remain open to examination for a period of 3 to 4 years from date of filing. The Company files tax returns in all of the foreign jurisdictions that it has a permanent establishment and the tax filings remain subject to examination for 4 to 5 years.

The Company recognizes interest and penalties associated with uncertain tax positions as a component of income tax expense. The Company had approximately $193,000 and $173,000 for the payment of interest and penalties accrued at December 31, 2014 and 2013, respectively. The Company recorded estimated tax related penalty and interest expense in the statement of operations of approximately $20,000, $17,000 and $79,000 during the years ended December 31, 2014, 2013 and 2012, respectively. The total liability for unrecognized tax benefit, inclusive of interest and penalties, at December 31, 2014 and 2013 amounted to approximately $537,000 and $517,000, respectively. The amount of unrecognized tax benefit that, if recognized, would affect the effective tax rate at December 31, 2014 and 2013 was $344,000.

The Company does not expect that there will be a material impact on the amount of unrecognized tax benefit in the next 12 months.

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The following table indicates the changes to the Company's uncertain tax positions for the period and years ended December 31, 2014, 2013 and 2012:

	For the Years Ended December 31,		
	2014	2013	2012
		(In thousands)	
Balance, beginning of year	$344	$ 747	$658
Additions based on tax positions related to the current year	—	—	95
Reductions based on tax positions related to prior years	—	(403)	—
Expiration of statute of limitations	—	—	(6)
Balance, end of year	$344	$ 344	$747

As of December 31, 2014 and December 31, 2013, $344,000 of the above amount was included in other long-term liabilities in the consolidated balance sheet.

11. EMPLOYEE BENEFIT PLAN

The Company has a 401(k) profit-sharing and savings plan (the "Plan"). Under the Plan, eligible employees could contribute up to 60% of their compensation not to exceed $17,500 (subject to future adjustment) during calendar years 2014 and 2013 and $17,000 during calendar year 2012. In December 2003, the Company elected to adopt a safe harbor contribution plan amendment, effective January 1, 2004, whereby safe harbor contributions may be made to eligible participants in the 401(k) profit sharing and savings plan. By making a safe harbor matching contribution, the Company's Plan was no longer subject to certain regulatory testing, thereby enabling all participants to make tax-deferred contributions up to the maximum allowable amount.

The Company has a voluntary safe harbor contribution match up to 100% of the employee's contribution on the first 3% of their compensation and 50% of the employee's contribution on the next 2% of eligible compensation. Employer contributions expensed for the Plan amounted to approximately $1,061,000, $885,000 and $788,000 for the years ended December 31, 2014, 2013 and 2012, respectively. Participants are at all times fully vested in their contributions; the Company's safe harbor contribution is fully vested immediately.

Profit-sharing contributions vest over a 5 year period in accordance with the Plan's vesting schedules. No contributions were made during 2014, 2013 or 2012.

12. MANDATORILY REDEEMABLE PREFERRED STOCK AND PREFERRED EQUITY INTERESTS

In connection with the IPO in April 2012, the Company repurchased all of its mandatorily redeemable Series A preferred stock, par value $0.01, and all of its preferred equity interest units. This included 77,500 shares of Series A preferred stock, with a subscription price of $77,500,000, and 50,000 preferred equity interest units, with a subscription price of $50,000,000. All of the mandatorily redeemable preferred stock and preferred equity interests were issued during 2004 in connection with an acquisition. The mandatorily redeemable preferred stock and preferred equity interests had identical rights and preferences and accrued dividends at the rate of 10% compounded annually and were cumulative.

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The mandatorily redeemable preferred stock and preferred equity interests repurchased in 2012 totaled $259,321,000, comprised of $157,627,000 of Series A preferred stock, inclusive of $80,127,000 of accrued dividends, and $101,694,000 of preferred equity interests, inclusive of $51,694,000 of accrued dividends.

13. STOCKHOLDERS' EQUITY

As of December 31, 2014 and 2013, there were 350,000,000 shares of common stock authorized, with a par value of $0.01, of which 67,868,867 and 67,866,667 shares, net of treasury stock, were outstanding, respectively. Common stock represents 100% of the ownership and voting control of Tumi Holdings, Inc. and does not accrue dividends.

In connection with the IPO, 75,000,000 shares of preferred stock were authorized, with a par value of $0.01, of which no shares were issued or outstanding as of December 31, 2014 and 2013.

As of December 31, 2014 and 2013, the Company held 277,806 shares of common stock in treasury.

Stock Splits

In connection with the IPO, the Company's Board of Directors approved a 101.200929-for-1 common stock split and a subsequent 1.037857-for-1 common stock split, which were effective April 4, 2012 and April 19, 2012, respectively.

All common share and per share amounts in the consolidated financial statements have been adjusted retrospectively for all periods presented to reflect the 101.200929-for-1 and 1.037857-for-1 common stock splits.

Accumulated Other Comprehensive Loss

The balance in accumulated other comprehensive loss consists only of foreign currency translation adjustments, net of tax.

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14. EARNINGS PER SHARE

The following table summarizes the calculation of basic and diluted earnings per common share (adjusted for the stock splits described in Note 13—Stockholders' Equity) for the years ended December 31, 2014, 2013 and 2012.

	For the Years Ended December 31,		
	2014	2013	2012
	(In thousands, except share and per share data)		
Basic earnings per common share			
Numerator:			
Net income	$ 58,009	$ 54,559	$ 36,783
Denominator:			
Basic weighted average common shares outstanding	67,867,529	67,866,667	63,304,838
Basic earnings per common share	$ 0.85	$ 0.80	$ 0.58
Diluted earnings per common share:			
Numerator:			
Net income	$ 58,009	$ 54,559	$ 36,783
Denominator:			
Number of shares used in basic calculation	67,867,529	67,866,667	63,304,838
Weighted average dilutive effect of employee stock options	10,811	4,021	110
Diluted weighted average common shares outstanding	67,878,340	67,870,688	63,304,948
Diluted earnings per common share	$ 0.85	$ 0.80	$ 0.58

The Company excluded 310,291 and 8,328 weighted average stock options for the years ended December 31, 2014 and 2013, respectively, from the calculation of diluted earnings per common share because the exercise prices of these stock options were greater than or equal to the average market price of the common shares. These options could be included in the calculation in the future if the average market value of the common shares increases and is greater than the exercise price of these options. The Company included all outstanding weighted average stock options with exercise prices less than the average market price of the common shares in the calculation of the weighted average dilutive effect of employee stock options, but a weighted average of 5,419 and 446,090 of these stock options for the years ended December 31, 2014 and 2013, respectively, did not have any impact on the dilutive effect of employee stock options in the preceding table, as they were determined to be antidilutive when the treasury stock method was applied. In addition, as of December 31, 2014, there were 130,113 performance-based restricted stock units that were excluded from the computation of diluted earnings per share because these units have not yet been earned in accordance with the vesting conditions of the plan. No service-based restricted stock units were excluded from the computation of diluted earnings per share for the year ended December 31, 2014, as none were antidilutive. There were no performance-based or service-based restricted stock units issued prior to 2014.

15. SEGMENT INFORMATION

The Company sells its products globally to consumers through both direct and indirect channels and manages its business through four operating segments: Direct-to-Consumer North America,

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Direct-to-Consumer International, Indirect-to-Consumer North America and Indirect-to-Consumer International. The Company's Chief Executive Officer and Chief Financial Officer are its chief operating decision makers (the "CODM's") as defined in the FASB's guidance relating to segment reporting. The CODM's evaluate net sales and operating income of the Company's segments to allocate resources and evaluate performance. Operating income of the Company's segments is measured on net sales, less cost of goods sold and direct expenses of each segment and certain operating expenses allocated to each segment. Expenses not specifically allocated to the individual segments include costs such as product design and development, certain general and administrative, shipping, warehouse and other expenses. The CODM's do not receive information related to total assets by segment. Although the Company's products fall into three major categories: travel, business and accessories, the Company's classification of individual product codes into these categories is fluid and dynamic; while the Company collects gross sales data, the Company does not collect financial information to derive net sales (including discounts and allowances) and markdowns by product category in sufficient detail to report such data in its financial statements in the aggregate or by segment.

Following is a description of our segments:

Direct-to-Consumer North America

The Company's Direct-to-Consumer North America segment sells the Company's products directly to consumers through a network of company-owned retail stores consisting of full-price stores and outlet stores strategically positioned in high-end retail malls or street venues. In addition, sales of the Company's products to consumers through our e-commerce website are included in this segment.

Indirect-to-Consumer North America

The Company sells to wholesale customers, including specialty luggage retailers, prestige department stores and business to business channels. Many of the Company's wholesale customers also operate their own e-commerce websites through which they sell the Company's products. The Company also sells its products in partner stores, which are operated by local distributors or retailers, that carry only Tumi products and are governed by strict operating guidelines that the Company dictates.

Direct-to-Consumer International

The Company sells directly to consumers through a network of company-owned full-price and outlet stores in high-end street venues and select malls in international locations. The Company also sells its products directly to consumers through our e-commerce website.

Indirect-to-Consumer International

The Company sells its products through wholesale distribution channels in Europe, the Middle East and Africa, the Asia-Pacific region and Central and South America. The Company also sells its products in partner stores, operated by local distributors or retailers, that carry only Tumi products and

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are governed by strict operating guidelines that the Company dictates. In addition, the Company operates concessions in department stores throughout Europe and the Middle East. Many of the Company's wholesale customers also operate their own e-commerce websites through which they sell the Company's products.

Segment Results

The tables below present information for net sales, operating income, total assets and depreciation and amortization by segment for the years ended December 31, 2014, 2013 and 2012:

	Direct-to-Consumer North America	Direct-to-Consumer International	Indirect-to-Consumer North America	Indirect-to-Consumer International	Unallocated Amounts	Consolidated Totals
			(In thousands)			
Year ended December 31, 2014						
Net sales	$243,142	$28,265	$111,191	$144,596	$ —	$527,194
Operating income	$ 69,871	$ 2,793	$ 41,213	$ 45,291	$ (65,738)	$ 93,430
Total assets	$ 69,208	$19,862	$ 17,669	$ 24,927	$431,164	$562,830
Depreciation and amortization	$ 8,477	$ 1,459	$ 1,808	$ 4,041	$ 2,371	$ 18,156
Year Ended December 31, 2013						
Net sales	$209,214	$22,408	$107,303	$128,513	$ —	$467,438
Operating income	$ 62,485	$ 2,941	$ 40,637	$ 39,829	$ (59,529)	$ 86,363
Total assets	$ 55,236	$10,624	$ 15,158	$ 24,416	$401,053	$506,487
Depreciation and amortization	$ 6,944	$ 740	$ 1,315	$ 3,367	$ 1,821	$ 14,187
Year Ended December 31, 2012						
Net sales	$180,291	$17,879	$ 97,801	$102,580	$ —	$398,551
Operating income	$ 57,208	$ 964	$ 37,038	$ 29,658	$ (53,192)	$ 71,676
Total assets	$ 40,986	$ 8,583	$ 15,859	$ 15,747	$388,066	$469,241
Depreciation and amortization	$ 5,889	$ 940	$ 851	$ 2,384	$ 1,440	$ 11,504

Geographic Area Information

Net sales by major geographic region is based on the location of the customer. Net sales by geographic region for the years ended December 31, 2014, 2013 and 2012 were as follows:

	For the Years Ended December 31,		
	2014	2013	2012
		(In thousands)	
United States	$347,379	$309,557	$273,688
China	22,209	23,103	18,730
Other International(1)	157,606	134,778	106,133
Total	$527,194	$467,438	$398,551

(1) Other International consists of numerous countries, none of which represents more than 5% of net sales for any year presented.

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Property, plant and equipment, net by country of domicile as of December 31, 2014, 2013 and 2012 were as follows:

	For the Years Ended December 31,		
	2014	2013	2012
	(In thousands)		
United States	$57,679	$45,479	$33,906
Germany	4,097	4,185	4,179
China	2,999	2,456	3,120
Other International(2)	14,292	8,751	5,799
Total	$79,067	$60,871	$47,004

(2) Other International consists of numerous countries, none of which represents more than 5% of property, plant and equipment, net, for any year presented.

16. CONCENTRATION OF RISK

Credit Risk

The Company's accounts receivable are comprised primarily of large balances due from a small number of major customers, principally distribution partners in the Asia-Pacific region and large department and specialty luggage stores dispersed throughout the United States. Failure of one of the major customers to pay its balance could have a significant impact on the financial position, results of operations and cash flows of the Company. Five of the Company's largest customers in the aggregate accounted for 26.2% and 18.5% of consolidated trade accounts receivable at December 31, 2014 and 2013, respectively. These five customers accounted for 11.9%, 10.8% and 11.1% of consolidated net sales for the years ended December 31, 2014, 2013 and 2012, respectively.

Supplier Risk

The Company's product offerings are enhanced by custom raw materials that have specific technical requirements. The Company has selected a limited number of key suppliers with the capability to support these manufacturing requirements and manufactures the majority of its products in Asia. Although alternatives in the supply chain exist, a change in suppliers could cause a delay in manufacturing and have a short-term adverse effect on operating results. Additionally, purchases from these key suppliers are denominated in U.S. dollars. Foreign currency risk associated with these supply arrangements is shared with these suppliers. Five of the Company's largest suppliers accounted for 47.2% and 41.9% of accounts payable at December 31, 2014 and 2013, respectively. These five suppliers accounted for 81.3%, 77.6% and 71.9% of total product purchases for the years ended December 31, 2014, 2013 and 2012, respectively.

17. SHARE-BASED COMPENSATION PLANS AND AWARDS

2012 Long-Term Incentive Plan

The Company adopted the 2012 Plan effective April 18, 2012, which has a term of 10 years. The Company's compensation committee will generally designate those individuals eligible to participate in the 2012 Plan. Subject to adjustment in the event of a merger, recapitalization, stock split,

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reorganization or similar transaction, 6,786,667 shares, or the share limit, are reserved for issuance in connection with awards granted under the 2012 Plan. Any unexercised, unconverted or undistributed portion of any award that is not paid in connection with the settlement of an award or is forfeited without the issuance of shares shall again be available for grant under the 2012 Plan. Options and stock appreciation rights under the 2012 Plan have a maximum term of 10 years.

The 2012 Plan provides for the grant of stock options (including nonqualified stock options and incentive stock options), restricted stock, restricted stock units, performance awards (which include, but are not limited to, cash bonuses), dividend equivalents, stock payment awards, stock appreciation rights, and other incentive awards. The exercise price of an option or stock appreciation price must be equal to or greater than the fair market value of the Company's common stock on the date of grant.

The following table shows the total compensation cost charged against income for share-based compensation plans and the related tax benefits recognized in the income statement for the periods indicated:

	For the Years Ended December 31,		
	2014	2013	2012
		(In thousands)	
Share-based compensation expense	$3,618	$2,009	$42
Income tax benefit related to share-based compensation	$1,382	$ 736	$18

Stock Options

The fair value of each option award is estimated on the date of grant using the Black-Scholes option valuation model. Due to the limited trading history of the Company's common stock, the volatility assumption used was based on the weighted average historical stock prices of a peer group which is representative of the Company's size and industry. The Company considers estimates for employee termination and the period of time the options are expected to be outstanding for the option term assumption within the valuation model. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of the grant.

The following table presents the weighted-average assumptions used to estimate the fair value of the options granted during the periods presented:

	December 31, 2014	December 31, 2013
Weighted-average volatility	44.78%	45.90%
Expected dividend yield	—%	—%
Expected term (in years)	6	6
Risk-free rate	1.79%	1.13%

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A summary of option activity under the 2012 Plan as of December 31, 2014 and changes during the twelve months then ended is presented below:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding—December 31, 2013	643,044	$20.76		
Granted	338,114	$22.44		
Exercised	(2,200)	20.45		
Forfeited or expired	(9,240)	$20.45		
Outstanding—December 31, 2014	969,718	$21.35	8.49	$2,312,920
Options vested and expected to vest as of December 31, 2014	929,191	$21.34	8.49	$2,222,698
Options vested and exercisable as of December 31, 2014	227,162	$20.90	8.18	$ 644,082

The weighted-average grant-date fair value of options granted during the years 2014 and 2013 was $10.05 and $9.27, respectively.

The total intrinsic value of options exercised during 2014 was $6,424. The total cash received from option exercises was $44,990 in 2014, and the cash tax benefit realized for the tax deductions from these option exercises was approximately $2,400. No options were exercised during the year ended December 31, 2013.

As of December 31, 2014, there was $4,089,000 of total unrecognized compensation cost related to nonvested stock options. Such cost is expected to be recognized over a weighted average period of 2.72 years. The total fair value of options vested during the year ended December 31, 2014 was $2,064,000.

Performance-Based Restricted Stock Units

In 2014, the Company began granting performance-based restricted stock units ("RSUs") to key executives, as well as certain of its other employees. Performance-based RSUs are awards denominated in units that are settled in shares of the Company's common stock upon vesting. The vesting of these units is subject to the employee's continuing employment and the Company's achievement of certain performance goals during the applicable vesting period. The fair value of performance-based RSUs is based on the fair value of the Company's common stock on the date of grant. Expense for performance-based RSUs is recognized over the employees' requisite service period when the attainment of the performance goal is deemed probable.

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A summary of the status of performance-based RSUs as of December 31, 2014 and changes during the twelve months then ended is presented below:

	Number of Shares	Weighted-Average Grant-Date Fair Value
Nonvested—December 31, 2013	—	$ —
Granted	139,384	$22.74
Vested	—	$ —
Forfeited	(9,271)	$22.95
Nonvested—December 31, 2014	130,113	$22.73

As of December 31, 2014, there was $1,941,000 of total unrecognized compensation cost related to nonvested performance-based RSUs. Such cost is expected to be recognized over a weighted-average period of 2.19 years. There were no performance-based RSUs granted prior to 2014.

Service-Based Restricted Stock Units

In 2014, the Company began granting service-based RSUs to certain non-employee directors. These service-based RSUs generally vest over a one-year period, subject to the director's continuing service on the Board of Directors. The fair value of service-based RSUs is based on the fair value of the Company's common stock on the date of grant.

A summary of the status of service-based RSUs as of December 31, 2014 and changes during the twelve months then ended is presented below:

	Number of Units	Weighted Average Grant-Date Fair Value
Nonvested—December 31, 2013	—	$ —
Granted	10,680	$18.72
Vested	—	$ —
Forfeited	—	$ —
Nonvested—December 31, 2014	10,680	$18.72

As of December 31, 2014, there was $74,000 of total unrecognized compensation cost related to nonvested service-based RSUs. Such cost is expected to be recognized over a weighted average period of 0.37 years. There were no service-based RSUs granted prior to 2014.

18. RELATED PARTY TRANSACTIONS

In connection with our IPO, in April 2012 we entered into an amended and restated registration rights agreement with Doughty Hanson & Co IV Nominees One Limited, Doughty Hanson & Co IV Nominees Two Limited, Doughty Hanson & Co IV Nominees Three Limited, Doughty Hanson & Co IV Nominees Four Limited, Officers Nominees Limited, Stockwell Fund, L.P., Brederode International s.à.r.l., HVB Capital Partners AG and certain former stockholders and Jerome Griffith. Jerome Griffith is a party to the agreement only with respect to the piggyback registration rights described below. Pursuant to this registration rights agreement, subject to certain exceptions, holders of a majority of the

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then registrable common stock collectively have the right to require us to register for public sale under the Securities Act all shares of common stock that it requests be registered. The registration rights agreement limits the requests for registrations pursuant to a fully marketed underwritten offering to three requests per 365-day period, provided that such request covers at least that number of shares with an anticipated gross offering price of $25,000,000. In addition, whenever we propose to file a registration statement under the Securities Act (other than a registration on Form S-4 or Form S-8), we are required to give notice of such registration to all parties to the registration rights agreement that hold registrable securities. Such notified persons have piggyback registration rights providing them the right to have us include their shares of common stock in any such registration, subject to the provisions of the registration rights agreement. All expenses of such registrations (including both demand and piggyback registrations), other than underwriting discounts and commissions incurred in connection with registrations, filings or qualifications, will be paid by us.

Pursuant to the Company's obligation under the amended and restated registration rights agreement, the Company incurred $634,000, $477,000 and $196,000 in connection with the November 2012, April 2013 and September 2014 secondary offerings of the Company's common stock described in Note 1—Summary of Significant Accounting Policies, respectively.

19. UNAUDITED SELECTED QUARTERLY FINANCIAL DATA

The following tables set forth unaudited selected quarterly financial data for the years ended December 31, 2014 and 2013. In the opinion of management, the following selected quarterly information includes all adjustments, consisting solely of normal recurring adjustments, necessary for the fair statement of the results of operations for these periods. This quarterly data is not necessarily indicative of our operating results for any future period.

	For the Three Months Ended			
	March 30, 2014	June 29, 2014	September 28, 2014	December 31, 2014
	(In thousands, except share and per share data)			
Net sales	$ 108,602	$ 124,582	$ 130,195	$ 163,815
Year over year growth %(1)	6%	15%	20%	11%
Gross margin	$ 63,083	$ 72,102	$ 76,307	$ 94,475
Selling, general and administrative expenses	$ 49,702	$ 52,246	$ 53,040	$ 57,549
Operating income	$ 13,381	$ 19,856	$ 23,267	$ 36,926
Net income	$ 8,153	$ 12,219	$ 13,917	$ 23,720
Basic weighted average common shares outstanding	67,866,667	67,866,667	67,867,852	67,868,867
Diluted weighted average common shares outstanding	67,867,852	67,872,947	67,876,522	67,895,249
Basic earnings per common share	$ 0.12	$ 0.18	$ 0.21	$ 0.35
Diluted earnings per common share	$ 0.12	$ 0.18	$ 0.21	$ 0.35

TUMI HOLDINGS, INC. AND SUBSIDIARIES

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	For the Three Months Ended			
	March 31, 2013	June 30, 2013	September 29, 2013	December 31, 2013
	(In thousands, except per share data)			
Net sales	$ 102,925	$ 108,189	$ 108,910	$ 147,414
Year over year growth %(1)	29%	13%	14%	16%
Gross margin	$ 58,013	$ 62,310	$ 63,992	$ 84,530
Selling, general and administrative expenses	$ 40,399	$ 44,452	$ 45,466	$ 52,165
Operating income	$ 17,614	$ 17,858	$ 18,526	$ 32,365
Net (loss) income	$ 10,535	$ 11,194	$ 12,055	$ 20,775
Basic weighted average common shares outstanding	67,866,667	67,866,667	67,866,667	67,866,667
Diluted weighted average common shares outstanding	67,867,790	67,868,475	67,875,729	67,870,726
Basic earnings per common share	$ 0.16	$ 0.16	$ 0.18	$ 0.31
Diluted earnings per common share	$ 0.16	$ 0.16	$ 0.18	$ 0.31

(1) Year-over-year growth % compares net sales for a particular period with net sales for the comparable prior year interim period.

3. The following is an extract of the audited financial statements of the Tumi Group for the year ended December 31, 2015, which were prepared in accordance with U.S. GAAP, from the 2015 annual report of Tumi.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
(In thousands, except share and per share data)

	At December 31, 2015	At December 31, 2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 94,632	$ 52,796
Accounts receivable, less allowance for doubtful accounts of approximately $877 and $580 at December 31, 2015 and 2014, respectively	32,434	31,890
Other receivables	3,543	3,003
Inventories, net	99,688	89,231
Prepaid income taxes	996	—
Prepaid expenses and other current assets	12,096	8,315
Total current assets	243,389	185,235
Property, plant and equipment, net	83,501	79,067
Deferred tax assets, noncurrent	771	386
Joint venture investment	1,840	2,156
Goodwill	142,773	142,773
Intangible assets, net	130,400	130,414
Other assets	9,270	11,279
Total assets	$611,944	$551,310

The accompanying notes are an integral part of these consolidated financial statements.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets (continued)
(In thousands, except share and per share data)

	At December 31,	
	2015	2014
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 35,844	$ 33,898
Accrued expenses	39,130	34,786
Income taxes payable	615	2,334
Total current liabilities	75,589	71,018
Other long-term liabilities	12,775	11,407
Deferred tax liabilities	42,734	42,002
Total liabilities	131,098	124,427
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Common stock—$0.01 par value; 350,000,000 shares authorized, 68,158,428 shares issued and 67,394,756 shares outstanding as of December 31, 2015; 68,146,673 shares issued and 67,868,867 shares outstanding as of December 31, 2014	681	681
Preferred stock—$0.01 par value; 75,000,000 shares authorized and no shares issued or outstanding as of December 31, 2015 and 2014	—	—
Additional paid-in capital	317,140	314,217
Treasury stock, at cost; 763,672 and 277,806 shares as of December 31, 2015 and December 31, 2014, respectively	(13,338)	(4,874)
Retained earnings	182,747	119,734
Accumulated other comprehensive loss	(6,384)	(2,875)
Total stockholders' equity	480,846	426,883
Total liabilities and stockholders' equity	$611,944	$551,310

The accompanying notes are an integral part of these consolidated financial statements.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Operations
(In thousands, except share and per share data)

	For the Years Ended December 31,		
	2015	2014	2013
Net sales	$ 547,655	$ 527,194	$ 467,438
Cost of sales	220,755	221,227	198,593
Gross margin	326,900	305,967	268,845
OPERATING EXPENSES			
Selling	33,946	36,447	28,875
Marketing	18,565	17,539	17,373
Retail operations	127,848	114,752	98,720
General and administrative	49,653	43,799	37,514
Total operating expenses	230,012	212,537	182,482
Operating income	96,888	93,430	86,363
OTHER INCOME (EXPENSES)			
Interest expense	(347)	(477)	(733)
Earnings from joint venture investment	411	279	184
Foreign exchange gains	427	475	388
Other non-operating income (expenses)	74	132	(94)
Total other income (expenses)	565	409	(255)
Income before income taxes	97,453	93,839	86,108
Provision for income taxes	34,440	35,830	31,549
Net income	$ 63,013	$ 58,009	$ 54,559
Weighted average common shares outstanding:			
Basic	67,852,534	67,867,529	67,866,667
Diluted	67,876,772	67,878,340	67,870,688
Basic earnings per common share	$ 0.93	$ 0.85	$ 0.80
Diluted earnings per common share	$ 0.93	$ 0.85	$ 0.80

The accompanying notes are an integral part of these consolidated financial statements.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income
(In thousands)

	For the Years Ended December 31,		
	2015	2014	2013
Net income	$63,013	$58,009	$54,559
OTHER COMPREHENSIVE INCOME			
Foreign currency translation adjustment, net of tax	(3,509)	(2,787)	345
Comprehensive income	$59,504	$55,222	$54,904

The accompanying notes are an integral part of these consolidated financial statements.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statement of Changes in Stockholders' Equity
(In thousands, except share data)

	Common Stock						
	Shares	Par Value	Additional Paid-in Capital	Treasury Stock	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total
Balance as of January 1, 2013	68,144,473	$681	$308,545	$ (4,874)	$ 7,166	$ (433)	$311,085
Net income	—	—	—	—	54,559	—	54,559
Share-based compensation	—	—	2,009	—	—	—	2,009
Foreign currency translation adjustment, net of tax	—	—	—	—	—	345	345
Balance as of December 31, 2013	68,144,473	681	310,554	(4,874)	61,725	(88)	367,998
Net income	—	—	—	—	58,009	—	58,009
Share-based compensation	—	—	3,618	—	—	—	3,618
Options exercised	2,200	—	45	—	—	—	45
Foreign currency translation adjustment, net of tax	—	—	—	—	—	(2,787)	(2,787)
Balance as of December 31, 2014	68,146,673	681	314,217	(4,874)	119,734	(2,875)	426,883
Net income	—	—	—	—	63,013	—	63,013
Share-based compensation	—	—	2,923	—	—	—	2,923
Service-based shares issued	11,755	—	—	—	—	—	—
Repurchase of common stock				(8,464)			(8,464)
Foreign currency translation adjustment, net of tax	—	—	—	—	—	(3,509)	(3,509)
Balance as of December 31, 2015	68,158,428	$681	$317,140	$(13,338)	$182,747	$(6,384)	$480,846

The accompanying notes are an integral part of these consolidated financial statements.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(In thousands)

	For the Years Ended December 31,		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 63,013	$ 58,009	$ 54,559
Adjustments to reconcile net income to net cash provided by operating activities			
Deferred income tax benefit	2,024	(86)	483
Depreciation and amortization	21,494	18,156	14,187
Share-based compensation expense	2,923	3,618	2,009
Amortization of deferred financing costs	165	164	165
Allowance for doubtful accounts	297	(103)	137
Earnings from joint venture	(411)	(279)	(184)
Loss on disposal of fixed assets	364	1,096	261
Impairment of long-lived assets	753	—	—
Other non-cash charges	1,098	350	482
Changes in operating assets and liabilities			
Accounts receivable	(751)	(5,328)	(7,882)
Other receivables	(649)	(220)	(1,213)
Inventories	(11,922)	(10,843)	(8,773)
Prepaid expenses and other current assets	(3,895)	(1,566)	(3,606)
Other assets	(165)	(6,070)	(861)
Prepaid income taxes	(996)	2,334	384
Accounts payable	2,038	91	6,525
Accrued expenses	6,207	2,830	606
Income taxes payable	(1,596)	(4,565)	4,680
Other liabilities	1,442	2,946	1,257
Total adjustments	18,420	2,525	8,657
Net cash provided by operating activities	81,433	60,534	63,216
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(30,814)	(36,576)	(25,440)
Net cash used in investing activities	(30,814)	(36,576)	(25,440)

The accompanying notes are an integral part of these consolidated financial statements.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (continued)
(In thousands)

	For the Years Ended December 31, 2015	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments on revolving credit facility	$ —	$ (8,000)	$(37,000)
Options exercised	—	45	—
Repurchases of common stock, including shares withheld in satisfaction of tax obligations	(8,464)	—	—
Net cash used in financing activities	(8,464)	(7,955)	(37,000)
Effect of exchange rate changes on cash	(319)	(820)	100
Net increase in cash and cash equivalents	41,836	15,183	876
Cash and cash equivalents at beginning of period	52,796	37,613	36,737
Cash and cash equivalents at end of period	$94,632	$52,796	$ 37,613
Supplemental disclosures of cash flow information:			
Cash paid for interest	$ 105	$ 117	$ 320
Cash paid for income taxes	$34,584	$38,021	$ 26,441
Supplemental disclosure of noncash investing activities:			
Accrued capital expenditures	$ 5,641	$ 7,894	$ 5,904

The accompanying notes are an integral part of these consolidated financial statements.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

Tumi Holdings, Inc. (together with its subsidiaries, the "Company") is a leading designer, producer and marketer of a comprehensive line of travel and business products and accessories in multiple categories. The Company's product offerings include travel bags, business cases, totes, handbags, business and travel accessories and small leather goods. The Company designs its products for, and markets its products to, sophisticated professionals, frequent travelers and brand-conscious individuals who enjoy the premium status and durability of Tumi products. The Company sells its products through a network of company-owned full-price stores and outlet stores, partner stores, concessions, shop-in-shops, specialty luggage shops, high-end department stores and e-commerce distribution channels. The Company has approximately 2,000 points of distribution in over 75 countries, and its global distribution network is enhanced by the use of its three logistics facilities located in the United States, Europe and Asia. The Company designs its products in its U.S. design studios and selectively collaborates with well-known, international, industrial and fashion designers for limited edition product lines. Production is sourced globally through a network of suppliers based in Asia, many of which are longtime suppliers, and the Caribbean.

The Company's business is seasonal in nature and, as a result, net sales and working capital requirements fluctuate from quarter to quarter. The Company's fourth quarter is a significant period with regard to the results of operations due to increased Direct-to-Consumer sales during the holiday season in North America and Europe. During the fourth quarter, the Company expects inventory levels, accounts payable and accrued expenses to increase commensurate with net sales.

Registered Secondary Offerings of the Company's Common Stock

In April 2013, the Company completed a secondary offering of common stock sold by certain of the Company's stockholders. The selling stockholders, which included certain of the Company's officers, sold 11,661,000 shares of our common stock in the offering (inclusive of 1,521,000 shares of common stock from the full exercise of the option granted to the underwriters to purchase additional shares from certain of the selling stockholders). The Company did not receive any proceeds from the sale of shares by the selling stockholders. The offering expenses incurred by the Company were approximately $477,000, which included legal and accounting costs and various other fees associated with the offering.

In September 2014, the Company completed an additional secondary offering of common stock sold by certain of the Company's stockholders. The selling stockholders, comprised of funds managed by, or affiliated with, Doughty Hanson sold 8,000,000 shares of our common stock in the offering. The Company did not receive any proceeds from the sale of shares by the selling stockholders. The offering expenses incurred by the Company were approximately $196,000, which included legal and accounting costs and various other fees associated with the offering.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Principles of Consolidation

The consolidated financial statements of the Company include the accounts of Tumi Holdings, Inc. and its subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation.

The Company used the equity method of accounting for its joint venture investment, which was 50% owned during the years ended December 31, 2015 and December 31, 2014, as the Company had the ability to exercise significant influence over the operating and financial policies of the joint venture but did not control the joint venture. The Company's share of the earnings or losses of the joint venture was included in the Consolidated Statements of Operations as "Earnings from Joint Venture Investment." During the first quarter of 2016, the Company completed its acquisition of the remaining 50% stake in its joint venture.

Segment Reporting

Segment information has been provided on the basis of the Company's four reportable segments for all periods presented (see Note 14—Segment Information), which are: (i) Direct-to-Consumer North America; (ii) Indirect-to-Consumer North America; (iii) Direct-to-Consumer International; and (iv) Indirect-to-Consumer International.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include valuation of goodwill and intangibles, allowance for doubtful accounts, adjustments for slow-moving and obsolete inventory, accrued warranties, realization of deferred tax assets, income tax uncertainties, the valuation of share-based compensation and related forfeiture rates, and useful lives of assets. Actual results could differ materially from those estimates.

Reclassification

Certain prior period amounts have been reclassified to conform to the current year presentation.

Revenue Recognition

Revenue is generated from the sale of the Company's products and is classified as "Net Sales" in the Company's Consolidated Statements of Operations. The Company recognizes revenue in its Direct-to-Consumer segments, including e-commerce, when inventory is received by the customer and the related title passes. Revenue related to concession and consignment locations is recognized when inventory is received by the end customer and the related title passes. In the Company's Indirect-to-Consumer segments (which includes wholesale arrangements), revenue related to partner stores, shop-in-shops and Tumi-defined corners, each of which is owned and operated by an

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independent third-party wholesaler, is recognized when inventory is in possession of the wholesale customers or their appointed carriers, at which point the related title passes. Provisions for discounts, rebates to customers and returns are recorded as a reduction of revenue in the same period as the related sales. Revenue associated with gift cards is recognized upon redemption. Revenue from gift cards and the amount of revenue recognized for gift cards not redeemed ("breakage") is immaterial to these consolidated financial statements. Amounts billed to customers for delivery costs are classified as a component of net sales and the related delivery costs are classified as a component of cost of sales. Sales and value added tax collected from customers and remitted to governmental authorities are accounted for on a net basis and are excluded from net sales in the Consolidated Statements of Operations.

Cash and Cash Equivalents

The Company's cash and cash equivalents are defined as cash and short-term highly liquid investments with an original maturity of three months or less from the date of purchase. The Company's cash and cash equivalents consist of cash in banks as of December 31, 2015 and 2014.

Effective January 1, 2013, funds held in "noninterest-bearing transaction accounts" are aggregated with any interest-bearing accounts, and the combined total is insured up to a maximum of $250,000. The term "noninterest-bearing transaction account" includes a traditional checking account or demand deposit account on which the insured depository institution pays no interest. The total excess of the bank account balances over the Federal Deposit Insurance Corporation (" FDIC") limit effective at each period end was approximately $83,728,000 and $46,300,000 at December 31, 2015 and 2014, respectively. The total cash in international bank accounts, which is not covered under the FDIC, was approximately $10,330,000 and $6,245,000 at December 31, 2015 and 2014, respectively.

Accounts Receivable and Allowance for Doubtful Accounts

Credit is extended to customers based on evaluation of a customer's financial condition. Generally, collateral is not required. Accounts receivable are due within 30 days to 90 days and are stated at amounts due from customers net of an allowance for doubtful accounts. Accounts receivable outstanding longer than the contractual payment terms are considered past due.

The Company determines its allowance for doubtful accounts by considering a number of factors, including the length of time trade receivables are past due, the Company's previous loss history, the customer's current ability to pay its obligation and the condition of the general economy and the industry as a whole. The Company writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

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The following table summarizes the activity in the allowance for doubtful accounts for the years ended December 31, 2015, 2014 and 2013:

	For the Years Ended December 31,		
	2015	2014	2013
	(In thousands)		
Balance, beginning of year	$(580)	$(477)	$(340)
Provision charged to expense	(456)	(119)	(271)
Amounts written off	166	16	134
Recoveries of bad debt	$ (7)	$ —	$ —
Balance, end of year	$(877)	$(580)	$(477)

Inventories

Inventories consist primarily of finished goods and are valued at the lower of cost or market. Cost is determined using the first-in, first-out method. Inventory includes material, labor, overhead, freight, and duty and is adjusted for slow-moving and obsolete inventory.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of their estimated useful lives or the terms of the respective leases. Repairs and maintenance costs are expensed as incurred; major renewals or betterments are capitalized.

Long-Lived Assets

The Company reviews long-lived assets, such as property, plant and equipment and certain identifiable intangibles with finite lives, for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Some factors the Company considers important which could trigger an impairment review include: (i) significant underperformance compared to expected historical or projected future operating results; (ii) significant changes in the Company’s use of the acquired assets or the strategy for its overall business; and (iii) significant negative industry or economic trends. The Company recorded an impairment charge of $753,000 for the year ended December 31, 2015. The impairment related to one retail location in our Direct-to-Consumer International segment and is included in retail operations expense on the consolidated statement of operations. No impairment was recognized during the years ended December 31, 2014 and 2013.

Deferred Financing Costs

The net balance of the costs incurred for obtaining debt financing was $207,000 and $372,000 as of December 31, 2015 and 2014, respectively, and is included in other assets on the consolidated balance sheet. The Company amortizes deferred financing costs to interest expense over the lives of the related financing agreements. During the years ended December 31, 2015, 2014 and 2013, respectively, $165,000, $164,000 and $165,000 was amortized to interest expense.

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Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of net assets acquired, including intangible assets. Indefinite-lived intangible assets consist of brand/trade name. Goodwill and brand/trade name are not being amortized in accordance with the provisions of the FASB's guidance, which requires these assets to be tested for impairment annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company's annual impairment testing date is the first day of its fourth quarter. No impairment was recognized in the years ended December 31, 2015, 2014 and 2013.

The quantitative goodwill impairment test, if necessary, is a two-step process. Under the first of two steps, the Company compares the fair value of a reporting unit to its carrying amount, including goodwill, to identify a potential impairment. If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for such reporting unit and the enterprise must perform step two of the impairment test to measure the impairment, if any. Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation: the fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill.

In 2015, the Company performed a qualitative analysis and determined that it is more likely than not that the fair values of each of the Company's reporting units and indefinite-lived tradename is greater than their respective carrying values. As a result, the Company believes the fair values of each of the Company's reporting units and indefinite-lived tradename substantially exceeds their respective carrying values.

The Company uses techniques including discounted expected future cash flows (Level 3 input), or DCF, to test goodwill. Indefinite-lived intangible assets are tested for impairment through an income approach known as the relief from royalty method. A discounted cash flow analysis calculates the fair value by estimating the after-tax cash flows attributable to a reporting unit or asset and then discounting the after-tax cash flows to a present value using a risk-adjusted discount rate. Assumptions used in DCF and the relief from royalty method require the exercise of significant judgment including judgment about appropriate royalty rates, discount rates and terminal values, growth rates and the amount and timing of expected future cash flows. Although the Company believes the historical assumptions and estimates made are reasonable and appropriate, different assumptions and estimates could materially impact its reported financial results.

The Company's reporting units for the purpose of goodwill impairment testing are the reportable business segments: (i) Direct-to-Consumer North America, (ii) Indirect-to-Consumer North America, (iii) Direct-to-Consumer International and (iv) Indirect-to-Consumer International. The reporting units were determined in accordance with the guidance on reportable segments in FASB ASC 280-10-50-1. There is no discrete financial information available to the Company for its operations below its reportable business segments.

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Share-Based Compensation

Share-based compensation represents the cost related to equity awards granted to employees under the 2012 Plan. The Company measures share-based compensation cost at the grant date based on the estimated fair value of the award and recognizes the cost on a straight-line basis (net of estimated forfeitures) over the vesting period. The Company estimates the fair value of stock options using the Black-Scholes valuation model. All share-based compensation costs are recorded in cost of sales or the various operating expense lines in the consolidated statements of operations based on the employee's respective function (see Note 16—Share-Based Compensation Plans and Awards).

Performance-based RSUs are awards denominated in units that are settled in shares of the Company's common stock upon vesting. The vesting of these units is subject to the employee's continuing employment and the Company's achievement of certain performance goals during the applicable vesting period. The fair value of performance-based RSUs is based on the fair value of the Company's common stock on the date of grant. Expense for performance-based RSUs is recognized over the employees' requisite service period when the attainment of the performance goal is deemed probable.

Service-based RSUs are awards denominated in units that are settled in shares of the Company's common stock upon vesting. The vesting of these units is subject to the employee's continuing employment or a director's continuing service on the Board of Directors over a defined period of time. The fair value of service-based RSUs is based on the fair value of the Company's common stock on the date of grant.

Fair Value Measurements

The Company applies the FASB's guidance for "Fair Value Measurements." Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. The hierarchy of those valuation approaches is broken down into three levels based on the reliability of inputs as follows:

Level 1— Inputs that are quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The valuation under this approach does not entail a significant degree of judgment.

Level 2— Inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates and yield curves observable at commonly quoted intervals or current market) and contractual prices for the underlying financial instrument, as well as other relevant economic measures.

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Level 3— Inputs that are unobservable for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The Company's non-financial assets which are subject to nonrecurring fair value measurements include goodwill, intangible assets and property, plant and equipment. These assets are recorded at carrying value. However, whenever events or changes in circumstances indicate that their carrying value may not be fully recoverable (or at least annually for goodwill and indefinite-lived intangible assets), such assets are assessed for impairment and, if applicable, written down to and recorded at fair value. To measure fair value for such assets, the Company uses techniques including DCF. These measures of fair value, and related inputs, are considered level 2 measures under the fair value hierarchy.

Due to their short term maturity, management believes the carrying amounts of cash and cash equivalents, accounts receivable and accounts payable were reasonable estimates of their fair value as of December 31, 2015 and 2014.

Income Taxes

The Company utilizes the asset and liability method of accounting for income taxes, under which deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company applies the FASB's provisions for uncertain tax positions. The Company utilizes the two step process to determine the amount of recognized tax benefit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company recognizes interest and penalties associated with uncertain tax positions as a component of income tax expense.

Foreign Currency Translation

The financial statements of the Company's branch offices and subsidiaries in Europe are measured using a currency other than the U.S. dollar.

Assets and liabilities recorded in functional currencies other than U.S. dollars are translated into U.S. dollars at the year-end rate of exchange. Revenues and expenses are translated at the average exchange rates for the year. The resulting translation adjustments are charged or credited to other comprehensive income.

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Realized foreign currency transaction gains and losses on transactions denominated in currencies other than the functional currency, such as those resulting from the settlement of receivables and payables denominated in foreign currency, are included in the earnings of the current period in "Foreign Exchange Gains (Losses)."

Unrealized gains and losses on intercompany foreign currency transactions that are of a long-term investment nature (that is settlement is not planned or anticipated in the foreseeable future) are recorded in other comprehensive income. Unrealized gains and losses on intercompany foreign currency transactions for which settlement is anticipated are included in the determination of net income.

During the year ended December 31, 2014, the Company deemed $36,500,000 of intercompany receivables from its German subsidiary to be permanently invested. Accordingly, these amounts have been reclassified to contributed capital, reflecting the permanent nature of the investment.

Advertising Costs

The Company expenses advertising costs as incurred. Total advertising expenses, excluding cooperative advertising costs, included in operating expenses in the accompanying Consolidated Statements of Operations were approximately $9,383,000, $7,935,000 and $8,502,000 for the years ended December 31, 2015, 2014 and 2013, respectively.

Cooperative Advertising Costs

The Company accounts for certain advertising costs in accordance with the FASB's guidance for "Customer Payments and Incentives," ASC Topic 605-50. This standard provides guidance with respect to the statement of operations classification of and the accounting for recognition and measurement of consideration given by a vendor to a customer, which includes sales incentive offers labeled as discounts, coupons, rebates and free products or services as well as arrangements labeled as slotting fees, cooperative advertising and buy downs. As per the FASB's guidance, the Company records cooperative advertising costs in marketing expenses, as it receives a "separately identifiable benefit in exchange for the consideration." Additionally, the Company is able to establish the fair value of the cooperative advertising costs from the information obtained from the retailer. Based on this information, the Company has determined that the amount of consideration paid does not exceed the fair value of the benefit received. The Company recognized cooperative advertising expense of approximately $3,212,000, $3,148,000 and $3,234,000 as a marketing expense in the accompanying Consolidated Statements of Operations for the years ended December 31, 2015, 2014 and 2013, respectively.

Store Preopening Expenses

Costs incurred prior to the opening of a new store are expensed as incurred.

Warranties

The Company provides its customers with a product warranty subsequent to the sale of its products. The Company's warranty policy provides for one year of worry-free service as well as an

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additional warranty against manufacturers' defects or flaws in construction for between two and five years, depending on the product line. The Company recognizes estimated costs associated with the limited warranty at the time of sale of its products. The warranty reserve is based on historical experience.

Leases

The Company leases certain office, distribution and retail facilities. In some cases, the lease agreements are subject to renewal options and provide for the payment of taxes, insurance and maintenance. Certain leases contain escalation clauses resulting from the pass-through of increases in operating costs, property taxes and the effect on costs from changes in consumer price indices. Rent expense for noncancelable operating leases with scheduled rent increases and/or landlord incentives is recognized on a straight-line basis over the lease term, including any applicable rent holidays, beginning on the earlier of the lease commencement date or the date the Company takes possesion of the leased space. The excess of straight-line rent expense over the scheduled payment amounts and landlord incentives is recorded as a deferred rent obligation. As of December 31, 2015 and December 31, 2014, deferred rent obligations of approximately $12,026,000 and $10,826,000, respectively, were classified within other long-term liabilities in the Company's consolidated balance sheets.

Certain rentals are also contingent upon factors such as sales. Contingent rentals are recognized when the achievement of the target (i.e., sales levels) which triggers the related payment is considered probable. Such expenses were not material for the years ended December 31, 2015, 2014 and 2013.

Treasury Stock

The Company periodically repurchases treasury stock. These treasury stock transactions have been recorded using the cost method.

Earnings per Common Share

Basic earnings per common share is computed by dividing income available to common stockholders by the weighted-average common shares outstanding for the period. Diluted earnings per common share is computed on the basis of the weighted-average number of common shares outstanding plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method.

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" which amended the existing accounting standards for revenue recognition. ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. The guidance was effective for fiscal years beginning after December 15, 2016 and for interim periods within those fiscal years. In recent re-deliberations, the FASB approved a one-year deferral of the effective date of this guidance, such that it will be effective on January 1, 2018. Early

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adoption is not permitted. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Company is currently in the process of evaluating the impact of adoption of the ASU on its consolidated financial statements, but does not expect the impact to be material.

In June 2014, the FASB issued ASU 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved After the Requisite Service Period (Topic 718)". ASU 2014-12 requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. ASU 2014-12 is effective for annual reporting periods beginning after December 15, 2015, with early adoption permitted. The Company is currently in the process of evaluating the impact of adoption of the ASU on its consolidated financial statements, but does not expect the impact to be material.

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern". ASU 2014-15 addresses management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and to provide related footnote disclosures. Management's evaluation should be based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued. This guidance is effective for fiscal years ending after December 15, 2016 and for interim periods within those fiscal years, with early adoption permitted. The Company is currently in the process of evaluating the impact of adoption of the ASU on its consolidated financial statements, but does not expect the impact to be material.

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs (Subtopic 835-30)" which requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts or premiums. ASU 2015-03 is effective for annual reporting periods beginning after December 15, 2015, with early adoption permitted. The Company is currently in the process of evaluating the impact of adoption of the ASU on its consolidated financial statements, but does not expect the impact to be material.

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory." Under this ASU, inventory will be measured at the "lower of cost and net realizable value" and options that currently exist for "market value" will be eliminated. The ASU defines net realizable value as the "estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation." No other changes were made to the current guidance on inventory measurement. ASU 2015-11 is effective for interim and annual periods beginning after December 15, 2016, with early adoption permitted. The Company is currently in the process of evaluating the impact of adoption of the ASU on its consolidated financial statements, but does not expect the impact to be material.

In September 2015, the FASB issued ASU 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments (Topic 805: Business Combinations)" which eliminates the

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requirement to retrospectively account for measurement-period adjustments as part of a business combination and in turn recognize them in the period in which the adjustment was determined. ASU 2015-16 is effective for interim and annual periods beginning after December 15, 2016, with early adoption permitted. The Company is currently in the process of evaluating the impact of adoption of the ASU on its consolidated financial statements, but does not expect the impact to be material.

In November 2015, the FASB issued ASU No. 2015-17, "Income Taxes" which requires that deferred tax liabilities and assets be classified as noncurrent in a classified balance sheet. Prior to the issuance of the standard, deferred tax liabilities and assets were required to be separately classified into a current amount and a noncurrent amount in the balance sheet. ASU 2015-17 is effective for interim and annual periods beginning after December 15, 2016, with early adoption permitted. The Company adopted the amended guidance as of December 31, 2015, and prior periods have been adjusted to reflect this adoption. The adoption of the amended guidance did not have a material impact on our consolidated financial statements.

3. INVENTORIES, NET

Inventories, net consist of the following:

	At December 31, 2015	At December 31, 2014
	(In thousands)	
Raw materials	$ 246	$ 318
Finished goods	99,442	88,913
Total inventories, net	$99,688	$89,231

4. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net consists of the following:

	Useful Life	At December 31, 2015	At December 31, 2014
		(In thousands)	
Land	—	$ 485	$ 485
Buildings and improvements	25 years	5,404	5,395
Leasehold and store enhancements	1 to 10 years	112,861	102,168
Furniture, computers and equipment	3 to 5 years	19,829	18,673
Capitalized software	5 years	12,573	9,908
Fixtures, dies and autos	3 to 5 years	25,809	19,994
Construction in progress		5,570	5,590
		182,531	162,213
Less accumulated depreciation and amortization		(99,030)	(83,146)
		$ 83,501	$ 79,067

Depreciation and amortization expense on property, plant and equipment was $21,480,000, $17,897,000 and $13,914,000 for the years ended December 31, 2015, 2014 and 2013, respectively.

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The Company recorded an impairment charge of $753,000 for the year ended December 31, 2015. The impairment related to one retail location in our Direct-to-Consumer International segment and is included in retail operations expense on the consolidated statement of operations.

5. JOINT VENTURE

Tumi Japan

In June 2003, the Company entered into a Joint Venture Agreement ("JV Agreement") with ACE Co., Ltd. ("Ace") and Itochu Corporation ("Itochu") to form the Tumi Japan Joint Venture ("Tumi Japan") and contributed $213,000 at inception. The purpose of Tumi Japan was to sell, promote and distribute the Company's products in Japan. As of December 31, 2015 and 2014, the Company owned 50% of Tumi Japan.

This investment was accounted for under the equity method. The Company's share of undistributed earnings from the joint venture, which is included in retained earnings, was a cumulative gain of approximately $2,175,000 as of December 31, 2015.

Pursuant to the JV Agreement, the Company had the option but not the obligation to purchase an additional interest in Tumi Japan up to an ownership percentage of 66% after the tenth year of the existence of Tumi Japan. The amount to be paid per share was based on a predetermined formula according to the agreement and was payable in Japanese yen. On November 4, 2015, the Company announced that it had entered into an agreement to acquire the remaining 50% stake in its joint venture from its partners. The transaction closed during the first quarter of 2016.

Sales to Itochu during the years ended December 31, 2015, 2014 and 2013 were $18,574,000, $15,698,000, and $13,779,000, respectively. As of December 31, 2015 and 2014, the Company had accounts receivable due from Itochu of $1,480,000 and $1,870,000, respectively.

6. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and intangible assets consisted of the following at December 31:

	Range of Lives (Years)	2015	2014
		(In thousands)	
Goodwill	Indefinite	$142,773	$142,773
Intangible assets			
Brand/trade name	Indefinite	$130,400	$130,400
Customer relationships	10	1,100	1,100
Lease value	8	1,359	1,359
		2,459	2,459
Less accumulated amortization		(2,459)	(2,445)
		—	14
Intangible assets, net		$130,400	$130,414

Substantially all of the Company's goodwill and intangible assets relate to an acquisition in 2004.

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The range of lives of the intangible assets was determined by management, which at times will engage an independent third-party appraisal firm to assist in considering the determination of the lives of intangible assets.

As of December 31, 2015, the Company's intangible assets were fully amortized. Amortization expense of the customer relationships, included in general and administrative expense, was $96,000 and $110,000 in the years ended December 31, 2014 and 2013, respectively. Included in retail operations expense was $14,000 of amortization expense for the lease value in the year ended December 31, 2015 and $163,000 in each of the years ended December 31, 2014 and 2013.

The Company's goodwill by segment was as follows as of December 31:

	2015	2014
	(In thousands)	
Direct-to-Consumer North America	$ 48,779	$ 48,779
Direct-to-Consumer International	6,682	6,682
Indirect-to-Consumer North America	22,719	22,719
Indirect-to-Consumer International	64,593	64,593
Goodwill	$142,773	$142,773

There is no accumulated impairment of goodwill for any period presented.

7. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued Expenses

Accrued expenses as of December 31 consisted of the following:

	At December 31,	
	2015	2014
	(In thousands)	
Warranty	$ 9,001	$ 8,033
Fixed asset purchases	3,895	5,762
Payroll and related costs	7,289	4,641
Marketing	3,208	2,674
Professional fees	1,383	920
Sales tax	4,495	3,588
Gift cards and store credits	3,220	2,710
Other	6,639	6,458
	$39,130	$34,786

Other Long-Term Liabilities

Other long-term liabilities as of December 31, 2015 and 2014 consisted of deferred rent and a liability for uncertain tax positions.

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Accrued Warranties

The activity in the warranty reserve account was as follows:

	At December 31,		
	2015	2014	2013
	(In thousands)		
Liability, beginning of period	$ 8,033	$ 7,339	$ 6,807
Provision for warranties	7,673	6,710	5,736
Warranty claims	(6,705)	(6,016)	(5,204)
Liability, end of period	$ 9,001	$ 8,033	$ 7,339

8. CREDIT FACILITIES

Amended Credit Facility

The Amended Credit Facility consolidated the term loan facility and the revolving credit facility previously provided in the Company's former debt facility with Wells Fargo into a single $70,000,000 senior secured revolving credit facility, with Wells Fargo as the sole lender, and extended the maturity of the facility until April 4, 2017. The Amended Credit Facility includes a letter of credit sublimit of $5,000,000.

Borrowings under the Amended Credit Facility bear interest at a per annum rate equal to, at the Borrowers' option, the one, two, three or six month (or such other period as Wells Fargo may agree) LIBOR rate plus a margin of 1.00% or 1.25%, or a base rate (the greater of (i) Wells Fargo's prime rate in effect on such day and (ii) the federal funds rate plus 1/2 of 1.00%) plus a margin of zero or 0.25%. The Borrowers are required to pay an undrawn commitment fee equal to 0.15% or 0.20% of the undrawn portion of the commitments under the Amended Credit Facility, as well as customary letter of credit fees. The margin added to the LIBOR, or base rate, as well as the amount of the commitment fee, depends on the Company's leverage at the time. Interest is payable monthly, bi-monthly or quarterly on LIBOR rate loans depending on the interest period for each LIBOR rate loan, or quarterly on base rate loans.

As of December 31, 2015 and December 31, 2014 the Company had no balance outstanding under the Amended Credit Facility. Letters of credit outstanding totaled $384,000 and $286,000 at December 31, 2015 and 2014 and, accordingly, the unused portion of the facility was $69,616,000 and $69,714,000, respectively. The fee for the unused portion of the facility was $105,000 and $104,000 for the years ended December 31, 2015 and 2014, respectively.

All obligations under the Amended Credit Facility are required to be guaranteed by each of the Borrowers' material domestic subsidiaries, subject to certain exclusions. The obligations under the Amended Credit Facility are secured by substantially all of the Borrowers' assets and, if applicable, those of the Borrowers' subsidiary guarantors. Currently the Borrowers do not have any subsidiary guarantors.

The Amended Credit Facility contains customary events of default, including, but not limited to, payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults under material debt, certain events of bankruptcy and insolvency, defaults based on certain judgments,

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failure of any material provision of any loan document to be in full force and effect, change of control, and certain ERISA defaults. If an event of default were to occur and continue, amounts due under the Amended Credit Facility would be accelerated and the commitments to extend credit thereunder terminated, and the rights and remedies of Wells Fargo under the Amended Credit Facility available under the applicable loan documents could be exercised, including rights with respect to the collateral securing the obligations under the Amended Credit Facility.

Debt Covenants

The Amended Credit Facility contains customary covenants, including, but not limited to, limitations on the ability of the Borrowers and their subsidiaries to incur additional debt and liens, dispose of assets, and make certain investments and restricted payments, including the prepayment of certain debt and cash dividends. In addition, the Amended Credit Facility contains financial covenants requiring that the Borrowers maintain (a) a minimum ratio of consolidated adjusted EBITDA to consolidated cash interest expense (as such terms are defined in the Amended Credit Facility) of not less than 4.00 to 1.00 and (b) a maximum ratio of consolidated total debt to consolidated adjusted EBITDA of no greater than 2.25 to 1.00. The Company was in compliance with all such financial covenants as of December 31, 2015.

9. COMMITMENTS AND CONTINGENCIES

Leases

The Company leases certain office, distribution and retail facilities. The lease agreements, which expire at various dates through 2028, are subject, in some cases, to renewal options and provide for the payment of taxes, insurance and maintenance. Certain leases contain escalation clauses resulting from the pass-through of increases in operating costs, property taxes and the effect on costs from changes in consumer price indices. Certain rentals are also contingent upon factors such as sales.

Rent expense under all operating leases for the Company was approximately $39,268,000, $35,865,000 and $28,765,000 for the years ended December 31, 2015, 2014 and 2013, respectively.

Future minimum lease payments under all non-cancellable operating leases with initial or remaining terms in excess of one year as of December 31, 2015 were as follows:

At December 31, 2015 (In thousands)	
2016	$ 38,903
2017	36,596
2018	34,699
2019	32,263
2020	29,894
Thereafter	103,931
	$276,286

Litigation

From time to time, we may be subject to legal proceedings and claims in the ordinary course of business, including proceedings to protect our intellectual property rights. The Company is not

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currently a party to any legal proceedings, the adverse outcome of which, in management's opinion, would have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

Web Service Provider Agreement

Pursuant to the Company's agreement with its web services provider, the Company served an early termination notice to said provider in the second quarter of 2013 and accrued a $1,500,000 (pre-tax) early termination fee pursuant to the terms of this agreement. This amount was paid in December 2013. The original agreement was scheduled to expire on December 31, 2015. The Company transitioned its North America web store during the fourth quarter of 2014 and its international web stores to a more insourced model during the first quarter of 2015.

10. INCOME TAXES

The components of United States and foreign income from operations before income taxes were as follows:

	For the Years Ended December 31,		
	2015	2014	2013
		(In thousands)	
United States	$86,024	$89,022	$81,554
Foreign	11,429	4,817	4,554
Total income before income taxes	$97,453	$93,839	$86,108

The provision for income taxes is as follows:

	For the Years Ended December 31,		
	2015	2014	2013
		(In thousands)	
Current provision			
Federal	$28,559	$29,288	$27,515
State	3,781	4,846	3,340
Foreign	1,878	1,782	211
Total current provision	34,218	35,916	31,066
Deferred			
Federal	893	(145)	1,124
State	(287)	38	(565)
Foreign	(384)	21	(76)
Total deferred provision	222	(86)	483
Total provision for income taxes	$34,440	$35,830	$31,549

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The differences between income taxes based on the statutory U.S. federal income tax rate of 35% and the Company's effective income tax rate are provided in the following reconciliation:

	For the Years Ended December 31,		
	2015	2014	2013
		(In thousands)	
Statutory federal income tax	$34,108	$32,844	$30,138
State and local net of federal benefit	2,272	3,174	1,694
Foreign rate differential	(2,487)	—	—
Other	547	(188)	(283)
Total provision for income taxes	$34,440	$35,830	$31,549

The major components of deferred income taxes were as follows:

	At December 31,	
	2015	2014
	(In thousands)	
Deferred tax assets		
Net operating loss—foreign	$ 1,490	$ 1,633
Warranty reserves	3,364	3,000
Rent expense	2,578	2,336
Other comprehensive income	1,948	2,073
Inventory reserves	851	912
Other	887	668
Depreciation	184	156
Accrued expenses	526	525
Allowance for doubtful accounts	328	217
Share-based compensation	3,210	2,116
Valuation allowance	(1,586)	(1,730)
Total deferred tax assets, net	13,780	11,906
Deferred tax liabilities		
Intangibles	(48,733)	(48,712)
Depreciation	(6,410)	(4,810)
Other	(600)	—
Total deferred tax liabilities, net	(55,743)	(53,522)
Total deferred tax balance	$(41,963)	$(41,616)

As of December 31, 2015, the Company adopted ASU No. 2015-17, which requires that deferred tax liabilities and assets be classified as noncurrent in a classified balance sheet. The deferred tax balances of $41,963,000 and $41,616,000 are classified as a noncurrent deferred tax asset of $771,000 and $386,000 and a noncurrent deferred liability of $42,734,000 and $42,002,000, as of December 31, 2015 and 2014, respectively.

Approximately $48,733,000 and $48,707,000 of deferred tax liabilities were recognized as of December 31, 2015 and 2014, respectively, to reflect the potential future tax liability relating to the $130,400,000 of identifiable intangible assets arising out of the purchase price valuation adjustment in 2004. Approximately $1,948,000 of deferred tax assets as of December 31, 2015 related to unrealized gains recorded in other comprehensive income.

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In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets relating to a particular jurisdiction is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible in that jurisdiction.

Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, with the exception of certain deferred tax assets for foreign net operating losses.

At December 31, 2015 and 2014, there were approximately $4,685,000 and $5,040,000 of gross foreign net operating loss carryforwards, respectively. The majority of these net operating loss carryforwards have an unlimited carryforward period. A valuation allowance of $1,490,000 and $1,633,000 was recorded at December 31, 2015 and 2014, respectively, related to the foreign net operating losses. It is anticipated that these will not be utilized due to continuing losses in these jurisdictions.

The Company considered positive evidence for the realization of its deferred tax assets based on a history of positive earnings for the past five years and projections of future taxable earnings.

Except for earnings that are currently taxable, no additional tax provision has been made for temporary differences related to investments in foreign subsidiaries where such investments are essentially permanent in duration, which at December 31, 2015, the Company estimates, amounted to approximately $7,200,000. A liability could arise if amounts are distributed by such subsidiaries or if such subsidiaries are ultimately disposed. The amount of unrecognized deferred tax liability for temporary differences related to investments in foreign subsidiaries is estimated to be approximately $3,000,000 as of December 31, 2015.

The Company applies the FASB's provisions for uncertain tax positions. The Company utilizes the two step process to determine the amount of recognized tax benefit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company recognizes interest and penalties associated with certain tax positions as a component of income tax expense.

For years prior to 2012, the federal statute of limitations is closed. The Company has settled an audit of the 2012 federal tax return. The outcome of this audit has been reflected in the current year income tax amount. The Company files income tax returns in various states and most of the states remain open to examination for a period of 3 to 4 years from date of filing. The Company files tax returns in all of the foreign jurisdictions that it has a permanent establishment and the tax filings remain subject to examination for 4 to 5 years.

The Company recognizes interest and penalties associated with uncertain tax positions as a component of income tax expense. The Company had approximately $304,000 and $193,000 for the

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payment of interest and penalties accrued at December 31, 2015 and 2014, respectively. The Company recorded estimated tax related penalty and interest expense in the statement of operations of approximately $111,000, $20,000 and $17,000 during the years ended December 31, 2015, 2014 and 2013, respectively. The total liability for unrecognized tax benefit, inclusive of interest and penalties, at December 31, 2015 and 2014 amounted to approximately $750,000 and $537,000, respectively. The amount of unrecognized tax benefit that, if recognized, would affect the effective tax rate at December 31, 2015 and 2014 was $445,000 and $344,000, respectively.

The Company does not expect that there will be a material impact on the amount of unrecognized tax benefit in the next 12 months.

The following table indicates the changes to the Company's uncertain tax positions for the period and years ended December 31, 2015, 2014 and 2013:

	For the Years Ended December 31,		
	2015	2014	2013
		(In thousands)	
Balance, beginning of year	$344	$344	$ 747
Additions based on tax positions related to the current year	182	—	—
Reductions based on tax positions related to prior years	(81)	—	(403)
Expiration of statute of limitations	—	—	—
Balance, end of year	$445	$344	$ 344

As of December 31, 2015 and December 31, 2014, $445,000 and $344,000 of the above amount was included in other long-term liabilities in the consolidated balance sheet, respectively.

11. EMPLOYEE BENEFIT PLAN

The Company has a 401(k) profit-sharing and savings plan (the "Plan"). Under the Plan, eligible employees could contribute up to 60% of their compensation not to exceed $18,000 (subject to future adjustment) during calendar year 2015 and $17,500 during calendar years 2014 and 2013. In December 2003, the Company elected to adopt a safe harbor contribution plan amendment, effective January 1, 2004, whereby safe harbor contributions may be made to eligible participants in the 401(k) profit sharing and savings plan. By making a safe harbor matching contribution, the Company's Plan was no longer subject to certain regulatory testing, thereby enabling all participants to make tax-deferred contributions up to the maximum allowable amount.

The Company has a voluntary safe harbor contribution match up to 100% of the employee's contribution on the first 3% of their compensation and 50% of the employee's contribution on the next 2% of eligible compensation. Employer contributions expensed for the Plan amounted to approximately $1,175,000, $1,061,000 and $885,000 for the years ended December 31, 2015, 2014 and 2013, respectively. Participants are at all times fully vested in their contributions; the Company's safe harbor contribution is fully vested immediately.

Profit-sharing contributions vest over a 5 year period in accordance with the Plan's vesting schedules. No contributions were made during 2015, 2014 or 2013.

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12. STOCKHOLDERS' EQUITY

As of December 31, 2015 and 2014, there were 350,000,000 shares of common stock authorized, with a par value of $0.01, of which 67,394,756 and 67,868,867 shares, net of treasury stock, were outstanding, respectively. Common stock represents 100% of the ownership and voting control of Tumi Holdings, Inc. and does not accrue dividends. In addition, 75,000,000 shares of preferred stock were authorized, with a par value of $0.01, of which no shares were issued or outstanding.

As of December 31, 2015 and 2014, the Company held 763,672 and 277,806 shares of common stock in treasury, respectively. During 2015, 466 shares of common stock were withheld by the Company in satisfaction of statutory minimum withholding taxes in connection with the vesting of awards under the Company's 2012 Long-Term Incentive Plan. Shares withheld in satisfaction of tax obligations are accounted for as treasury stock at cost.

Share Repurchase Program

On November 4, 2015, the Company announced that its Board of Directors authorized the repurchase of up to $150 million of the Company's common stock over the next twelve months. Under the program, the Company may purchase its shares from time to time in the open market or in privately negotiated transactions. The Company expects that purchases will be funded through existing cash on hand, cash from operations, borrowings or a combination of the foregoing. The amount and timing of the purchases will depend on a number of factors including the price and availability of the Company's shares, trading volume and general market conditions. Repurchases in the future may also be made under a Rule 10b5-1 plan, which would permit shares to be repurchased when the Company might otherwise be precluded from doing so under insider trading laws. The share repurchase program may be suspended or discontinued at any time.

During the fourth quarter of 2015, the Company repurchased 485,400 shares of its outstanding common stock at an average price of $17.42 per share for a total of $8,454,000. As of December 31, 2015, the remaining availability under the Company's share repurchase program was approximately $141,546,000. All repurchased shares of common stock have been accounted for as treasury stock at cost.

Accumulated Other Comprehensive Loss

The balance in accumulated other comprehensive loss consists only of foreign currency translation adjustments, net of tax. During the year ended December 31, 2014, the Company deemed $36,500,000 of intercompany receivables from its German subsidiary to be permanently invested. Accordingly, these amounts have been reclassified to contributed capital, reflecting the permanent nature of the investment. Unrealized gains and losses on these transactions are recorded in other comprehensive income.

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13. EARNINGS PER SHARE

The following table summarizes the calculation of basic and diluted earnings per common share for the years ended December 31, 2015, 2014 and 2013.

	For the Years Ended December 31,		
	2015	2014	2013
	(In thousands, except share and per share data)		
Basic earnings per common share			
Numerator:			
Net income	$ 63,013	$ 58,009	$ 54,559
Denominator:			
Basic weighted average common shares outstanding	67,852,534	67,867,529	67,866,667
Basic earnings per common share	$ 0.93	$ 0.85	$ 0.80
Diluted earnings per common share:			
Numerator:			
Net income	$ 63,013	$ 58,009	$ 54,559
Denominator:			
Number of shares used in basic calculation	67,852,534	67,867,529	67,866,667
Weighted average dilutive effect of employee stock options and restricted stock units	24,238	10,811	4,021
Diluted weighted average common shares outstanding	67,876,772	67,878,340	67,870,688
Diluted earnings per common share	$ 0.93	$ 0.85	$ 0.80

The Company excluded 732,186, 315,710 and 454,418 weighted average stock options and restricted stock units for the years ended December 31, 2015, 2014 and 2013, respectively, from the calculation of diluted earnings per common share because they were determined to be antidilutive. In addition, as of December 31, 2015 and December 31, 2014, there were 157,754 and 130,113 performance-based restricted stock units, respectively, that were excluded from the computation of diluted earnings per share because these units have not yet been earned in accordance with the vesting conditions of the plan. There were no performance-based or service-based restricted stock units issued prior to 2014.

14. SEGMENT INFORMATION

The Company sells its products globally to consumers through both direct and indirect channels and manages its business through four operating segments: Direct-to-Consumer North America, Direct-to-Consumer International, Indirect-to-Consumer North America and Indirect-to-Consumer International. The Company's Chief Executive Officer and Chief Financial Officer are its chief operating decision makers (the "CODMs") as defined in the FASB's guidance relating to segment reporting. The CODMs evaluate net sales and operating income of the Company's segments to allocate resources and evaluate performance. Operating income of the Company's segments is measured on net sales, less cost of goods sold and direct expenses of each segment and certain operating expenses allocated to each segment. Expenses not specifically allocated to the individual segments include costs such as product design and development, certain general and administrative, warehousing and distribution costs and other expenses. The CODMs do not receive information related to total assets by

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segment. Although the Company's products fall into three major categories: travel, business and accessories, the Company's classification of individual product codes into these categories is fluid and dynamic; while the Company collects gross sales data, the Company does not collect financial information to derive net sales (including discounts and allowances) and markdowns by product category in sufficient detail to report such data in its financial statements in the aggregate or by segment.

Following is a description of our segments:

Direct-to-Consumer North America

The Company's Direct-to-Consumer North America segment sells the Company's products directly to consumers through a network of company-owned retail stores consisting of full-price stores and outlet stores strategically positioned in high-end retail malls or street venues. In addition, sales of the Company's products to consumers through our e-commerce website are included in this segment.

Indirect-to-Consumer North America

The Company sells to wholesale customers, including specialty luggage retailers, prestige department stores and business to business channels. Many of the Company's wholesale customers also operate their own e-commerce websites through which they sell the Company's products. The Company also sells its products in partner stores, which are owned and operated by local distributors or retailers that purchase Tumi products from the Company through a wholesale arrangement. These locations carry only Tumi products and are governed by strict operating guidelines that we dictate with regard to brand presentation. The employees at partner store locations are not our employees but rather those of the distributors or retailers.

Direct-to-Consumer International

The Company sells directly to consumers through a network of company-owned full-price and outlet stores in high-end street venues and select malls in international locations. The Company also sells its products directly to consumers through our e-commerce website.

Indirect-to-Consumer International

The Company sells its products through wholesale distribution channels in Europe, the Middle East and Africa, the Asia-Pacific region and Central and South America. The Company also sells its products in partner stores, which are owned and operated by local distributors or retailers that purchase Tumi products from the Company through a wholesale arrangement. These locations carry only Tumi products and are governed by strict operating guidelines that we dictate with regard to brand presentation. The employees at partner store locations are not our employees but rather those of the distributors or retailers. In addition, the Company operates concessions in department stores throughout Europe and the Middle East. Many of the Company's wholesale customers also operate their own e-commerce websites through which they sell the Company's products.

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Segment Results

The tables below present information for net sales, operating income, total assets and depreciation and amortization by segment for the years ended December 31, 2015, 2014 and 2013:

	Direct-to-Consumer North America	Direct-to-Consumer International	Indirect-to-Consumer North America	Indirect-to-Consumer International	Unallocated Amounts	Consolidated Totals
			(In thousands)			
Year ended December 31, 2015						
Net sales	$262,185	$32,264	$108,074	$145,132	$ —	$547,655
Operating income	$ 71,932	$ 3,357	$ 44,005	$ 48,488	$ (70,894)	$ 96,888
Total assets	$ 80,022	$18,036	$ 20,755	$ 27,020	$466,111	$611,944
Depreciation and amortization	$ 11,364	$ 1,746	$ 2,002	$ 3,960	$ 2,422	$ 21,494
Year ended December 31, 2014						
Net sales	$243,142	$28,265	$111,191	$144,596	$ —	$527,194
Operating income	$ 69,871	$ 2,793	$ 41,213	$ 45,291	$ (65,738)	$ 93,430
Total assets	$ 69,208	$19,862	$ 17,669	$ 24,927	$419,644	$551,310
Depreciation and amortization	$ 8,477	$ 1,459	$ 1,808	$ 4,041	$ 2,371	$ 18,156
Year Ended December 31, 2013						
Net sales	$209,214	$22,408	$107,303	$128,513	$ —	$467,438
Operating income	$ 62,485	$ 2,941	$ 40,637	$ 39,829	$ (59,529)	$ 86,363
Total assets	$ 55,236	$10,624	$ 15,158	$ 24,416	$401,053	$506,487
Depreciation and amortization	$ 6,944	$ 740	$ 1,315	$ 3,367	$ 1,821	$ 14,187

Geographic Area Information

Net sales by major geographic region is based on the location of the customer. Net sales by geographic region for the years ended December 31, 2015, 2014 and 2013 were as follows:

	For the Years Ended December 31,		
	2015	2014	2013
		(In thousands)	
United States	$359,216	$347,379	$309,557
China	23,437	22,209	23,103
Other International[(1)]	165,002	157,606	134,778
Total	$547,655	$527,194	$467,438

(1) Other International consists of numerous countries, none of which represents more than 5% of net sales for any year presented.

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Property, plant and equipment, net by country of domicile as of December 31, 2015, 2014 and 2013 were as follows:

	For the Years Ended December 31,		
	2015	2014	2013
	(In thousands)		
United States	$61,143	$57,679	$45,479
Canada	6,252	3,667	1,447
Germany	2,979	4,097	4,185
China	3,164	2,999	2,456
Other International[2]	9,963	10,625	7,304
Total	$83,501	$79,067	$60,871

(2) Other International consists of numerous countries, none of which represents more than 5% of property, plant and equipment, net, for any year presented.

15. CONCENTRATION OF RISK

Credit Risk

The Company's accounts receivable are comprised primarily of large balances due from a small number of major customers, principally distribution partners in the Asia-Pacific region and large department and specialty luggage stores dispersed throughout the United States. Failure of one of the major customers to pay its balance could have a significant impact on the financial position, results of operations and cash flows of the Company. Five of the Company's largest customers in the aggregate accounted for 23.8% and 26.2% of consolidated trade accounts receivable at December 31, 2015 and 2014, respectively. These five customers accounted for 11.7%, 11.9% and 10.8% of consolidated net sales for the years ended December 31, 2015, 2014 and 2013, respectively.

Supplier Risk

The Company's product offerings are enhanced by custom raw materials that have specific technical requirements. The Company has selected a limited number of key suppliers with the capability to support these manufacturing requirements and manufactures the majority of its products in Asia. Although alternatives in the supply chain exist, a change in suppliers could cause a delay in manufacturing and have a short-term adverse effect on operating results. Additionally, purchases from these key suppliers are denominated in U.S. dollars. Foreign currency risk associated with these supply arrangements is shared with these suppliers. Five of the Company's largest suppliers accounted for 41.2% and 47.2% of accounts payable at December 31, 2015 and 2014, respectively. These five suppliers accounted for 74.8%, 81.3% and 77.6% of total product purchases for the years ended December 31, 2015, 2014 and 2013, respectively.

16. SHARE-BASED COMPENSATION PLANS AND AWARDS

2012 Long-Term Incentive Plan

The Company adopted the 2012 Plan effective April 18, 2012, which has a term of 10 years. The Company's compensation committee will generally designate those individuals eligible to

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participate in the 2012 Plan. Subject to adjustment in the event of a merger, recapitalization, stock split, reorganization or similar transaction, 6,786,667 shares, or the share limit, are reserved for issuance in connection with awards granted under the 2012 Plan. Any unexercised, unconverted or undistributed portion of any award that is not paid in connection with the settlement of an award or is forfeited without the issuance of shares shall again be available for grant under the 2012 Plan. Options and stock appreciation rights under the 2012 Plan have a maximum term of 10 years.

The 2012 Plan provides for the grant of stock options (including nonqualified stock options and incentive stock options), restricted stock, restricted stock units, performance awards (which include, but are not limited to, cash bonuses), dividend equivalents, stock payment awards, stock appreciation rights, and other incentive awards. The exercise price of an option or stock appreciation price must be equal to or greater than the fair market value of the Company's common stock on the date of grant.

The following table shows the total compensation cost charged against income for share-based compensation plans and the related potential future tax benefits recognized in the income statement for the periods indicated:

	For the Years Ended December 31,		
	2015	2014	2013
		(In thousands)	
Share-based compensation expense	$2,923	$3,618	$2,009
Income tax benefit related to share-based compensation	$1,082	$1,382	$ 736

Stock Options

The fair value of each option award is estimated on the date of grant using the Black-Scholes option valuation model. Due to the limited trading history of the Company's common stock, the volatility assumption used was based on the weighted average historical stock prices of a peer group which is representative of the Company's size and industry. The Company considers estimates for employee termination and the period of time the options are expected to be outstanding for the option term assumption within the valuation model. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of the grant.

The following table presents the weighted-average assumptions used to estimate the fair value of the options granted during the periods presented:

	December 31, 2015	December 31, 2014	December 31, 2013
Weighted-average volatility	42.97%	44.78%	45.90%
Expected dividend yield	—%	—%	—%
Expected term (in years)	6	6	6
Risk-free rate	1.74%	1.79%	1.13%

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A summary of option activity under the 2012 Plan as of December 31, 2015 and changes during the twelve months then ended is presented below:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding—December 31, 2014	969,718	$21.35		
Granted	435,681	$22.47		
Exercised	—	—		
Forfeited or expired	(123,466)	$21.81		
Outstanding—December 31, 2015	1,281,933	$21.69	8.05	$—
Options vested and expected to vest as of December 31, 2015	1,244,866	$21.68	8.03	$—
Options vested and exercisable as of December 31, 2015	471,187	$21.29	7.44	$—

The weighted-average grant-date fair value of options granted during the years 2015, 2014 and 2013 was $9.73, $10.05 and $9.27, respectively.

The total intrinsic value of options exercised during 2014 was $6,424. The total cash received from option exercises was $44,990 in 2014, and the cash tax benefit realized for the tax deductions from these option exercises was approximately $2,400. No options were exercised during the years ended December 31, 2015 and 2013.

As of December 31, 2015, there was $4,348,000 of total unrecognized compensation cost related to nonvested stock options. Such cost is expected to be recognized over a weighted average period of 1.90 years. The total fair value of options vested during the years ended December 31, 2015, 2014 and 2013 was $2,381,000, $2,064,000 and $53,320, respectively.

Performance-Based Restricted Stock Units

In 2014, the Company began granting performance-based restricted stock units ("RSUs") to key executives, as well as certain of its other employees. Performance-based RSUs are awards denominated in units that are settled in shares of the Company's common stock upon vesting. The vesting of these units is subject to the employee's continuing employment and the Company's achievement of certain performance goals during the applicable vesting period. The fair value of performance-based RSUs is based on the fair value of the Company's common stock on the date of grant. Expense for performance-based RSUs is recognized over the employees' requisite service period when the attainment of the performance goal is deemed probable.

A summary of the status of performance-based RSUs as of December 31, 2015 and changes during the twelve months then ended is presented below:

	Number of Shares	Weighted-Average Grant-Date Fair Value
Nonvested—December 31, 2014	130,113	$22.73
Granted	68,009	$23.15
Vested	—	$ —
Forfeited	(40,368)	$22.59
Nonvested—December 31, 2015	157,754	$22.94

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During the year ended December 31, 2015, the Company reduced its estimate of the number of performance-based RSUs that it expects will vest. Based on current projections, the attainment of certain performance goals is no longer deemed probable. This resulted in a cumulative adjustment to expense of approximately $1,612,000 as of December 31, 2015.

Service-Based Restricted Stock Units

In 2014, the Company began granting service-based RSUs to certain non-employee directors. These service-based RSUs generally vest over a one-year period, subject to the director's continuing service. In 2015, the Company began granting service-based RSUs to key executives, as well as certain of its other employees. These service-based RSUs generally vest over a three-year period, subject to the employee's continuing service. The fair value of service-based RSUs is based on the fair value of the Company's common stock on the date of grant.

A summary of the status of service-based RSUs as of December 31, 2015 and changes during the twelve months then ended is presented below:

	Number of Units	Weighted Average Grant-Date Fair Value
Nonvested—December 31, 2014	10,680	$18.72
Granted	81,665	$23.20
Vested	(11,755)	$19.13
Forfeited	(7,310)	$23.25
Nonvested—December 31, 2015	73,280	$23.19

The weighted-average grant-date fair value of service-based RSUs granted during the years 2015 and 2014 was $23.20 and $18.72, respectively. The were no service-based RSUs granted prior to 2014.

As of December 31, 2015, there was $892,000 of total unrecognized compensation cost related to nonvested service-based RSUs. Such cost is expected to be recognized over a weighted average period of 1.84 years. The total fair value of service-based RSUs vested during the year ended December 31, 2015 was $225,000. There were no service-based RSUs vested prior to 2015.

17. RELATED PARTY TRANSACTIONS

In connection with our IPO, in April 2012 we entered into an amended and restated registration rights agreement with Doughty Hanson & Co IV Nominees One Limited, Doughty Hanson & Co IV Nominees Two Limited, Doughty Hanson & Co IV Nominees Three Limited, Doughty Hanson & Co IV Nominees Four Limited, Officers Nominees Limited, Stockwell Fund, L.P., Brederode International s.à.r.l., HVB Capital Partners AG and certain former stockholders and Jerome Griffith. Jerome Griffith is a party to the agreement only with respect to the piggyback registration rights described below. Pursuant to this registration rights agreement, subject to certain exceptions, holders of a majority of the then registrable common stock collectively have the right to require us to register for public sale under the Securities Act all shares of common stock that it requests be registered. The registration rights agreement limits the requests for registrations pursuant to a fully

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marketed underwritten offering to three requests per 365-day period, provided that such request covers at least that number of shares with an anticipated gross offering price of $25,000,000. In addition, whenever we propose to file a registration statement under the Securities Act (other than a registration on Form S-4 or Form S-8), we are required to give notice of such registration to all parties to the registration rights agreement that hold registrable securities. Such notified persons have piggyback registration rights providing them the right to have us include their shares of common stock in any such registration, subject to the provisions of the registration rights agreement. All expenses of such registrations (including both demand and piggyback registrations), other than underwriting discounts and commissions incurred in connection with registrations, filings or qualifications, will be paid by us.

Pursuant to the Company's obligation under the amended and restated registration rights agreement, the Company incurred $477,000 and $196,000 in connection with the April 2013 and September 2014 secondary offerings of the Company's common stock described in Note 1—Summary of Significant Accounting Policies, respectively.

18. UNAUDITED SELECTED QUARTERLY FINANCIAL DATA

The following tables set forth unaudited selected quarterly financial data for the years ended December 31, 2015 and 2014. In the opinion of management, the following selected quarterly information includes all adjustments, consisting solely of normal recurring adjustments, necessary for the fair statement of the results of operations for these periods. This quarterly data is not necessarily indicative of our operating results for any future period.

	For the Three Months Ended			
	March 29, 2015	June 28, 2015	September 27, 2015	December 31, 2015
	(In thousands, except share and per share data)			
Net sales	$ 110,461	$ 138,520	$ 131,013	$ 167,661
Year over year growth %[(1)]	2%	11%	1%	2%
Gross margin	$ 65,271	$ 81,615	$ 79,320	$ 100,694
Selling, general and administrative expenses	$ 55,708	$ 56,335	$ 56,198	$ 61,771
Operating income	$ 9,563	$ 25,280	$ 23,122	$ 38,923
Net income	$ 6,374	$ 16,719	$ 14,869	$ 25,051
Basic weighted average common shares outstanding	67,868,867	67,874,098	67,880,156	67,790,291
Diluted weighted average common shares outstanding	67,918,438	67,920,124	67,883,410	67,790,291
Basic earnings per common share	$ 0.09	$ 0.25	$ 0.22	$ 0.37
Diluted earnings per common share	$ 0.09	$ 0.25	$ 0.22	$ 0.37

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Notes to Consolidated Financial Statements

	For the Three Months Ended			
	March 30, 2014	June 29, 2014	September 28, 2014	December 31, 2014
	(In thousands, except per share data)			
Net sales	$ 108,602	$ 124,582	$ 130,195	$ 163,815
Year over year growth %[1]	6%	15%	20%	11%
Gross margin	$ 63,083	$ 72,102	$ 76,307	$ 94,475
Selling, general and administrative expenses	$ 49,702	$ 52,246	$ 53,040	$ 57,549
Operating income	$ 13,381	$ 19,856	$ 23,267	$ 36,926
Net income	$ 8,153	$ 12,219	$ 13,917	$ 23,720
Basic weighted average common shares outstanding	67,866,667	67,866,667	67,867,852	67,868,867
Diluted weighted average common shares outstanding	67,867,852	67,872,947	67,876,522	67,895,249
Basic earnings per common share	$ 0.12	$ 0.18	$ 0.21	$ 0.35
Diluted earnings per common share	$ 0.12	$ 0.18	$ 0.21	$ 0.35

(1) Year-over-year growth % compares net sales for a particular period with net sales for the comparable prior year interim period.

19. SUBSEQUENT EVENTS

Acquisition of Japanese Joint Venture

On November 4, 2015, the Company announced that it had entered into an agreement to acquire the remaining 50% stake in its Japanese joint venture, Tumi Japan, from its partners, for a purchase price of 521 million yen (approximately $4.3 million). Tumi Japan operates a network of 13 Tumi stores, an e-commerce website, and distributes Tumi products across an additional 150 points of sale in Japan. The transaction closed during the first quarter of 2016.

4. The following is an extract of the unaudited financial statements of the Tumi Group for the three months ended March 27, 2016 together with the comparative results for the three months ended March 29, 2015, which were prepared in accordance with U.S. GAAP, from the 2016 first-quarter quarterly report of Tumi.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets
(In thousands, except share and per share data)

	March 27, 2016 (unaudited)	December 31, 2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$101,956	$ 94,632
Accounts receivable, less allowance for doubtful accounts of approximately $906 and $877 at March 27, 2016 and December 31, 2015, respectively	27,466	32,434
Other receivables	4,244	3,543
Inventories, net	113,604	99,688
Prepaid expenses and other current assets	6,110	12,096
Prepaid income taxes	829	996
Total current assets	254,209	243,389
Property, plant and equipment, net	86,588	83,501
Deferred tax assets, noncurrent	94	771
Joint venture investment	—	1,840
Goodwill	145,178	142,773
Intangible assets, net	130,963	130,400
Other assets	11,128	9,270
Total assets	$628,160	$611,944

The accompanying notes are an integral part of these condensed consolidated financial statements.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets (continued)
(In thousands, except share and per share data)

	March 27, 2016 (unaudited)	December 31, 2015
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 28,689	$ 35,844
Notes payable	6,975	—
Accrued expenses	36,424	39,130
Income taxes payable	561	615
Short-term debt	2,654	—
Total current liabilities	75,303	75,589
Other long-term liabilities	13,808	12,775
Deferred tax liabilities	43,136	42,734
Total liabilities	132,247	131,098
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Common stock—$0.01 par value; 350,000,000 shares authorized, 68,399,455 shares issued and 67,633,769 shares outstanding as of March 27, 2016; 68,158,428 shares issued and 67,394,756 shares outstanding as of December 31, 2015	684	681
Preferred stock—$0.01 par value; 75,000,000 shares authorized and no shares issued or outstanding as of March 27, 2016 and December 31, 2015	—	—
Additional paid-in capital	323,199	317,140
Treasury stock, at cost; 765,686 and 763,672 shares as of March 27, 2016 and December 31, 2015, respectively	(13,391)	(13,338)
Retained earnings	190,650	182,747
Accumulated other comprehensive loss	(5,229)	(6,384)
Total stockholders' equity	495,913	480,846
Total liabilities and stockholders' equity	$628,160	$611,944

The accompanying notes are an integral part of these condensed consolidated financial statements.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations
(In thousands, except share and per share data)

	Three Months Ended	
	March 27, 2016	March 29, 2015
	(unaudited)	
Net sales	$ 118,342	$ 110,461
Cost of sales	48,992	45,190
Gross margin	69,350	65,271
OPERATING EXPENSES		
Selling	9,395	8,636
Marketing	4,777	4,287
Retail operations	33,552	29,258
General and administrative	13,865	13,527
Total operating expenses	61,589	55,708
Operating income	7,761	9,563
OTHER INCOME (EXPENSES)		
Interest expense	(28)	(105)
Gain on existing joint venture investment	3,480	—
Earnings from joint venture investment	—	212
Foreign exchange gains (losses)	(441)	318
Other non-operating expenses	(11)	(182)
Total other income	3,000	243
Income before income taxes	10,761	9,806
Provision for income taxes	2,858	3,432
Net income	$ 7,903	$ 6,374
Weighted average common shares outstanding:		
Basic	67,442,501	67,868,867
Diluted	67,484,581	67,918,438
Basic earnings per common share	$ 0.12	$ 0.09
Diluted earnings per common share	$ 0.12	$ 0.09

The accompanying notes are an integral part of these condensed consolidated financial statements.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income
(In thousands)

	Three Months Ended	
	March 27, 2016	March 29, 2015
	(unaudited)	
Net income	$7,903	$ 6,374
OTHER COMPREHENSIVE INCOME		
Foreign currency translation adjustment, net of tax	1,155	(2,865)
Comprehensive income	$9,058	$ 3,509

The accompanying notes are an integral part of these condensed consolidated financial statements.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows
(In thousands)

	Three Months Ended	
	March 27, 2016	March 29, 2015
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 7,903	$ 6,374
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	5,786	5,034
Share-based compensation expense	1,322	1,354
Amortization of deferred financing costs	41	41
Allowance for doubtful accounts	98	(8)
Gain on existing joint venture investment	(3,480)	—
Earnings from joint venture	—	(212)
Loss on disposal of fixed assets	118	113
Other non-cash charges	286	210
Changes in operating assets and liabilities		
Accounts receivable	8,166	7,598
Other receivables	(658)	345
Inventories	(2,002)	(2,645)
Prepaid expenses and other current assets	2,254	2,618
Prepaid income taxes	307	—
Other assets	131	(94)
Accounts payable	(11,781)	(5,515)
Accrued expenses	(4,429)	(2,055)
Income taxes payable	(393)	(1,117)
Other liabilities	469	(25)
Total adjustments	(3,765)	5,642
Net cash provided by operating activities	4,138	12,016
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash acquired from business combination, Tumi Japan acquisition	2,414	—
Capital expenditures	(5,072)	(8,124)
Net cash used in investing activities	(2,658)	(8,124)

The accompanying notes are an integral part of these condensed consolidated financial statements.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows (continued)
(In thousands)

	Three Months Ended	
	March 27, 2016	March 29, 2015
	(unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings from short-term debt	$ 4,763	$ —
Payments on short-term debt	(3,464)	—
Borrowings on notes payable	6,828	—
Payments on notes payable	(7,211)	—
Options exercise	4,740	—
Repurchases of common stock, including shares withheld in satisfaction of tax obligations	(53)	—
Net cash provided by financing activities	5,603	—
Effect of exchange rate changes on cash	241	(323)
Net increase in cash and cash equivalents	7,324	3,569
Cash and cash equivalents at beginning of period	94,632	52,796
Cash and cash equivalents at end of period	$101,956	$56,365

The accompanying notes are an integral part of these condensed consolidated financial statements.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (unaudited)

1. BASIS OF PRESENTATION AND ORGANIZATION

Nature of Operations

Tumi Holdings, Inc. (together with its subsidiaries, the "Company") is a leading designer, producer and marketer of a comprehensive line of travel and business products and accessories in multiple categories. The Company's product offerings include travel bags, business cases, totes, handbags, business and travel accessories and small leather goods. The Company designs its products for, and markets its products to, sophisticated professionals, frequent travelers and brand-conscious individuals who enjoy the premium status and durability of Tumi products. The Company sells its products through a network of company-owned full-price stores and outlet stores, partner stores, concessions, shop-in-shops, specialty luggage shops, high-end department stores and e-commerce distribution channels. The Company has approximately 2,100 points of distribution in over 75 countries, and its global distribution network is enhanced by the use of its four logistics facilities located in the United States, Europe and Asia. The Company designs its products in its U.S. design studios and selectively collaborates with well-known, international, industrial and fashion designers for limited edition product lines. Production is sourced globally through a network of suppliers based in Asia, many of which are longtime suppliers, and in the Caribbean.

The Company's business is seasonal in nature and, as a result, net sales and working capital requirements fluctuate from quarter to quarter. The Company's fourth quarter is a significant period with regard to the results of operations due to increased Direct-to-Consumer sales during the holiday season in North America and Europe. During the fourth quarter, the Company expects inventory levels, accounts payable and accrued expenses to increase commensurate with net sales.

Merger Agreement with Samsonite

On March 3, 2016, Tumi Holdings, Inc. (the "Company") entered into an Agreement and Plan of Merger (the "Merger Agreement") with Samsonite International S.A., a public limited liability company (société anonyme) incorporated and governed by the laws of the Grand-Duchy of Luxembourg ("Samsonite"), and PTL Acquisition Inc., a Delaware corporation and an indirect wholly owned subsidiary of Samsonite ("Merger Sub").

The Merger Agreement provides that, among other things and in accordance with the terms and subject to the conditions thereof, Merger Sub will be merged with and into the Company (the "Merger") with the Company continuing as the surviving corporation in the Merger, and, at the effective time of the Merger (the "Effective Time"), each outstanding share of common stock of the Company, par value $0.01 per share ("Company Common Stock") (other than shares owned by the Company or any of its subsidiaries or Samsonite or any of its subsidiaries (including Merger Sub), which shall be cancelled, and any Dissenting Shares (as defined in the Merger Agreement)), will automatically be cancelled and converted into the right to receive $26.75 in cash, without interest (the "Merger Consideration").

The closing of the Merger is subject to customary closing conditions, including adoption of the Merger Agreement by the affirmative vote of the holders of at least a majority of all outstanding shares

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (unaudited)

of Company Common Stock entitled to vote thereon and the absence of a Company Material Adverse Effect (as defined in the Merger Agreement) after the date of the Merger Agreement. Consummation of the Merger also is subject to approval of the Merger Agreement and the transactions contemplated thereby, including the Merger, by an ordinary resolution of the shareholders of Samsonite. Consummation of the Merger is not subject to a financing condition.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP") and applicable rules and regulations of the SEC regarding interim financial reporting. Certain information and note disclosures normally included in financial statements prepared in accordance with US GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on February 25, 2016.

The condensed consolidated balance sheet as of December 31, 2015 included herein was derived from the audited financial statements as of that date.

The Company has historically accounted for its Japanese joint venture ("Tumi Japan") under the equity method of accounting. During the first quarter of 2016, the Company acquired the remaining interest in its joint venture from its partners. As such, beginning with the first quarter of 2016, the Company now consolidates Tumi Japan into its operations. See Note 6 for additional information.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the financial position, results of operations and cash flows for the interim periods, but are not necessarily indicative of the results of operations for the full year 2016 or any future period.

Reporting Periods

The reporting periods for the Company's unaudited interim quarterly financial information are based on the first month of each fiscal quarter including five Sundays and the second and third months of each fiscal quarter including four Sundays, with the fourth quarter always ending on December 31. Accordingly, the three-month reporting periods for the unaudited interim condensed consolidated financial statements included herein commenced on January 1, 2016 and January 1, 2015 and ended on March 27, 2016 and March 29, 2015, respectively.

Estimates

The preparation of the Company's condensed consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (unaudited)

financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include valuation of goodwill and intangibles, allowance for doubtful accounts, adjustments for slow-moving and obsolete inventory, accrued warranties, realization of deferred tax assets, income tax uncertainties, the valuation of share-based compensation and related forfeiture rates and useful lives of assets. Actual results could differ materially from those estimates.

Reclassification

Certain prior period amounts have been reclassified to conform to the current year presentation.

Cash and Cash Equivalents

As of March 27, 2016, the total balance in U.S. bank accounts over the Federal Deposit Insurance Company limit then in effect was approximately $87,412,000. The total balance in international bank accounts at March 27, 2016, which is not covered under the FDIC, was approximately $13,195,000.

Fair Value Measurements

The Company applies the Financial Accounting Standards Board's (the "FASB") guidance for "Fair Value Measurements." Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. The hierarchy of those valuation approaches is broken down into three levels based on the reliability of inputs as follows:

Level 1— Inputs that are quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The valuation under this approach does not entail a significant degree of judgment.

Level 2— Inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates and yield curves observable at commonly quoted intervals or current market) and contractual prices for the underlying financial instrument, as well as other relevant economic measures.

Level 3— Inputs that are unobservable for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

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The Company's non-financial assets which are subject to nonrecurring fair value measurements include goodwill, intangible assets and property, plant and equipment. These assets are recorded at carrying value. However, whenever events or changes in circumstances indicate that their carrying value may not be fully recoverable (or at least annually for goodwill and indefinite-lived intangible assets), such assets are assessed for impairment and, if applicable, written down to and recorded at fair value. To measure fair value for such assets, the Company uses techniques including discounted expected future cash flows ("DCF"). These measures of fair value, and related inputs, are considered level 2 measures under the fair value hierarchy.

Due to their short term maturity, management believes the carrying amounts of cash and cash equivalents, accounts receivable and accounts payable were reasonable estimates of their fair value as of March 27, 2016.

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" which amended the existing accounting standards for revenue recognition. ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. The guidance was effective for fiscal years beginning after December 15, 2016 and for interim periods within those fiscal years. In recent re-deliberations, the FASB approved a one-year deferral of the effective date of this guidance, such that it will be effective on January 1, 2018. Early adoption is not permitted. In March 2016, the FASB issued final amendments (ASU No. 2016-08 and ASU No. 2016-10) to clarify the implementation guidance for principal versus agent considerations, identifying performance obligations and the accounting for licenses of intellectual property. The amendments can be applied retrospectively to each prior reporting period or retrospectively with the cumulative effect of initially applying this update recognized at the date of initial application. Early application is permitted but not before the original public entity effective date, i.e., annual periods beginning after December 15, 2016. The Company is currently in the process of evaluating the impact of adoption of the ASU on its condensed consolidated financial statements, but does not expect the impact to be material.

In June 2014, the FASB issued ASU 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved After the Requisite Service Period (Topic 718)". ASU 2014-12 requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. ASU 2014-12 is effective for annual reporting periods beginning after December 15, 2015, with early adoption permitted. The Company adopted the amended guidance effective January 1, 2016 and it did not have a material effect on its condensed consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (unaudited)

Going Concern". ASU 2014-15 addresses management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and to provide related footnote disclosures. Management's evaluation should be based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued. This guidance is effective for fiscal years ending after December 15, 2016 and for interim periods within those fiscal years, with early adoption permitted. The Company adopted the guidance effective January 1, 2016 and it did not have a material effect on its condensed consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs (Subtopic 835-30)" which requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts or premiums. ASU 2015-03 is effective for annual reporting periods beginning after December 15, 2015, with early adoption permitted. The Company adopted the amended guidance effective January 1, 2016 and it did not have a material effect on its condensed consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory." Under this ASU, inventory will be measured at the "lower of cost and net realizable value" and options that currently exist for "market value" will be eliminated. The ASU defines net realizable value as the "estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation." No other changes were made to the current guidance on inventory measurement. ASU 2015-11 is effective for interim and annual periods beginning after December 15, 2016, with early adoption permitted. The Company is currently in the process of evaluating the impact of adoption of the ASU on its condensed consolidated financial statements, but does not expect the impact to be material.

In September 2015, the FASB issued ASU 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments (Topic 805: Business Combinations)" which eliminates the requirement to retrospectively account for measurement-period adjustments as part of a business combination and in turn recognize them in the period in which the adjustment was determined. ASU 2015-16 is effective for interim and annual periods beginning after December 15, 2016, with early adoption permitted. The Company is currently in the process of evaluating the impact of adoption of the ASU on its condensed consolidated financial statements, but does not expect the impact to be material.

In February 2016, the FASB issued ASU No. 2016-02 "Leases (Topic 842)." ASU 2016-02 establishes a right of use model that requires a lessee to record a right of use asset and a lease liability for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. A lease will be treated as sale if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as a financing. If the lessor doesn't convey risks and rewards or control, an operating

TUMI HOLDINGS, INC. AND SUBSIDIARIES

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lease results. The amendments are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years for public business entities. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements, with certain practical expedients available. Early adoption is permitted. The Company is currently in the process of evaluating the impact of ASU 2016-02 on its condensed consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation—Stock Compensation (Topic 718)—Improvements to Employee Share-Based Payment Accounting." ASU 2016-09 requires all income tax effects of awards to be recognized in the income statement when the awards vest or are settled. It also allows an employer to repurchase more of an employee's shares than it can today for tax withholding purposes without triggering liability accounting and to make a policy election for forfeitures as they occur. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those years, with early adoption is permitted. The Company is currently in the process of evaluating the impact of adoption of the ASU on its condensed consolidated financial statements, but does not expect the impact to be material.

3. STOCKHOLDERS' EQUITY

Activity for the three months ended March 27, 2016 in the accounts of Stockholders' Equity is summarized below:

	Common Stock						
	Shares	Par Value	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	(In thousands, except share data)						
Balance as of January 1, 2016	68,158,428	$681	$317,140	$(13,338)	$182,747	$(6,384)	$480,846
Net income	—	—	—	—	7,903	—	7,903
Share-based compensation	—	—	1,322	—	—	—	1,322
Stock options exercised	221,610	3	4,737	—	—	—	4,740
Service-based shares issued	19,417	—	—	—	—	—	—
Repurchase of common stock	—	—	—	(53)	—	—	(53)
Foreign currency translation adjustment, net of tax	—	—	—	—	—	1,155	1,155
Balance as of March 27, 2016	68,399,455	$684	$323,199	$(13,391)	$190,650	$(5,229)	$495,913

As of March 27, 2016 and December 31, 2015, the Company held 765,686 and 763,672 shares of common stock in treasury, respectively. During the first quarter of 2016, 2,014 shares of common stock were withheld by the Company in satisfaction of withholding taxes in connection with the vesting of awards under the Company's 2012 Long-Term Incentive Plan. Shares withheld in satisfaction of tax obligations are accounted for as treasury stock at cost.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements
(unaudited)

Share Repurchase Program

On November 4, 2015, the Company announced that its Board of Directors authorized the repurchase of up to $150 million of the Company's common stock over the next twelve months. Under the program, the Company may purchase its shares from time to time in the open market or in privately negotiated transactions. The Company expects that purchases will be funded through existing cash on hand, cash from operations, borrowings or a combination of the foregoing. The amount and timing of the purchases will depend on a number of factors including the price and availability of the Company's shares, trading volume and general market conditions. Repurchases in the future may also be made under a Rule 10b5-1 plan, which would permit shares to be repurchased when the Company might otherwise be precluded from doing so under insider trading laws. The share repurchase program may be suspended or discontinued at any time.

There were no repurchases made during the first quarter of 2016. As of March 27, 2016, the remaining availability under the Company's share repurchase program was approximately $141,546,000. All repurchased shares of common stock have been accounted for as treasury stock at cost.

As part of the Merger Agreement with Samsonite, the Company agreed that during the executory period beginning on March 3, 2016, the date of the Merger Agreement, and ending on the earlier of the termination of the Merger Agreement, per its terms, and the effective time of the merger, it would not repurchase any shares of its capital stock.

4. INVENTORIES, NET

Inventories, net consist of the following:

	March 27, 2016	December 31, 2015
	(In thousands)	
Raw materials	$ 193	$ 246
Finished goods	113,411	99,442
Total inventories, net	$113,604	$99,688

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (unaudited)

5. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net consists of the following:

	Useful Life	March 27, 2016	December 31, 2015
		(In thousands)	
Land	—	$ 485	$ 485
Buildings and improvements	25 years	5,404	5,404
Leasehold and store enhancements	1 to 10 years	118,631	112,861
Furniture, computers and equipment	3 to 5 years	21,509	19,829
Capitalized software	5 years	12,978	12,573
Fixtures, dies and autos	3 to 5 years	26,636	25,809
Construction in progress		5,519	5,570
		191,162	182,531
Less accumulated depreciation and amortization		(104,574)	(99,030)
		$ 86,588	$ 83,501

Depreciation and amortization expense on property, plant and equipment was $5,749,000 and $5,020,000 for the three months ended March 27, 2016 and March 29, 2015, respectively.

6. ACQUISITION OF JOINT VENTURE INVESTMENT

Tumi Japan

In June 2003, the Company entered into a Joint Venture Agreement with ACE Co., Ltd. ("Ace") and Itochu Corporation ("Itochu") to form Tumi Japan. The purpose of Tumi Japan was to sell, promote and distribute the Company's products in Japan. This investment historically was accounted for under the equity method.

Sales to Itochu were $3,277,000 for the three months ended March 29, 2015. The Company had accounts receivable due from Itochu of $1,480,000 as of December 31, 2015.

On January 4, 2016, the Company acquired the remaining interest in Tumi Japan, from its partners, for a purchase price of 521 million yen (approximately $4.2 million). As a result of acquiring the remaining interest in Tumi Japan, the Company began consolidating Tumi Japan into its operations during the first quarter of 2016. In 2016, Tumi Japan's retail business is included in the Company's Direct-to-Consumer International segment and its wholesale business is included in the Company's Indirect-to-Consumer International segment. The acquisition provides the Company with direct control over its operations in Japan and will allow it to better manage opportunities in the region.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (unaudited)

The purchase price allocation for these assets and liabilities is substantially complete, however it may be subject to change as additional information is obtained during the acquisition measurement period. The following table summarizes the fair value of the assets acquired and liabilities assumed as of the acquisition date:

Assets Acquired and Liabilities Assumed	Fair Value (In thousands)
Current assets	$ 16,607
Property, plant and equipment	2,771
Goodwill	2,405
Intangible assets	600
Other non-current assets	1,985
Current liabilities	(14,068)
Non-current liabilities	(921)
Net assets acquired	$ 9,379

In connection with this acquisition, the Company recorded non-deductible goodwill of approximately $2,405,000, of which $1,358,000 and $1,047,000 was assigned to the Company's Direct-to-Consumer International and Indirect-to-Consumer International segments, respectively. The customer relationship intangible asset is being amortized over 4 years.

The acquisition-date fair value of the previously held equity interest in Tumi Japan was $5,050,000. The Company used the income approach to measure the fair value. The amount recorded in the Company's condensed consolidated statement of operations in connection with the remeasurement of its previously held interest in Tumi Japan was a gain of approximately $3,480,000.

7. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The following table provides the change in the carrying amount of the Company's goodwill (in thousands):

Balance at December 31, 2015	$142,773
Acquisition of joint venture investment	2,405
Balance at March 27, 2016	$145,178

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (unaudited)

Other Intangible Assets

The following table provides the gross carrying value and accumulated amortization for each major class of intangible asset:

	March 27, 2016			December 31, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
		(In thousands)			(In thousands)	
Amortized intangible assets:						
Customer relationships	$ 1,700	$(1,137)	$ 563	$ 1,100	$(1,100)	$ —
Lease value	1,359	(1,359)	—	1,359	(1,359)	—
Total	$ 3,059	$(2,496)	$ 563	$ 2,459	$(2,459)	$ —
Unamortized intangible assets:						
Brand/trade name	$130,400	$ —	$130,400	$130,400	$ —	$130,400
Total intangible assets	$133,459	$(2,496)	130,963	$132,859	(2,459)	130,400

Amortization expense was $37,000 and $14,000 for the three months ended March 27, 2016 and March 29, 2015, respectively.

8. ACCRUED WARRANTIES

The Company provides its customers with a product warranty subsequent to the sale of its products. Our warranty policy provides for one year of worry-free service as well as an additional warranty against manufacturers' defects or flaws in construction for between two and five years, depending on the product line. The Company recognizes estimated costs associated with the limited warranty at the time of sale of its products. The warranty reserve, which is included in accrued expenses, is based on historical experience. The activity in the warranty reserve account was as follows:

	Three Months Ended	
	March 27, 2016	March 29, 2015
	(In thousands)	
Liability, beginning of period	$ 9,001	$ 8,033
Provision for warranties	1,003	1,707
Warranty claims	(1,362)	(1,593)
Liability, end of period	$ 8,642	$ 8,147

9. DEBT OBLIGATIONS

Amended Credit Facility

The Amended Credit Facility consolidated the term loan facility and the revolving credit facility previously provided in the Company's former credit facility into a single $70,000,000 senior secured revolving credit facility, with Wells Fargo as the sole lender, and extended the maturity of the facility until April 4, 2017. The Amended Credit Facility includes a letter of credit sublimit of $5,000,000.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (unaudited)

Borrowings under the Amended Credit Facility bear interest at a per annum rate equal to, at the Borrowers' option, the one, two, three or six month (or such other period as Wells Fargo may agree) LIBOR rate plus a margin of 1.00% or 1.25%, or a base rate (the greater of (i) Wells Fargo's prime rate in effect on such day and (ii) the federal funds rate plus 1/2 of 1.00%) plus a margin of zero or 0.25%. The Borrowers are required to pay an undrawn commitment fee equal to 0.15% or 0.20% of the undrawn portion of the commitments under the Amended Credit Facility, as well as customary letter of credit fees. The margin added to the LIBOR, or base rate, as well as the amount of the commitment fee, depends on the Company's leverage at the time. Interest is payable monthly, bi-monthly or quarterly on LIBOR rate loans depending on the interest period for each LIBOR rate loan, or quarterly on base rate loans.

As of March 27, 2016 and December 31, 2015, the Company had no balance outstanding under the Amended Credit Facility. Letters of credit outstanding at March 27, 2016 and December 31, 2015 totaled $384,000 under the Amended Credit Facility and, accordingly, the unused portion of the Amended Credit Facility was $69,616,000. The fee for the unused portion of the Amended Credit Facility was $26,000 for the three months ended March 27, 2016 and March 29, 2015.

All obligations under the Amended Credit Facility are required to be guaranteed by each of the Borrowers' material domestic subsidiaries, subject to certain exclusions. The obligations under the Amended Credit Facility are secured by substantially all of the Borrowers' assets and, if applicable, those of the Borrowers' subsidiary guarantors. Currently, the Borrowers do not have any subsidiary guarantors.

The Amended Credit Facility contains customary events of default, including, but not limited to, payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults under material debt, certain events of bankruptcy and insolvency, defaults based on certain judgments, failure of any material provision of any loan document to be in full force and effect, change of control, and certain ERISA defaults. If an event of default were to occur and continue, amounts due under the Amended Credit Facility would be accelerated and the commitments to extend credit thereunder terminated, and the rights and remedies of Wells Fargo under the Amended Credit Facility available under the applicable loan documents could be exercised, including rights with respect to the collateral securing the obligations under the Amended Credit Facility.

Debt Covenants

The Amended Credit Facility contains customary covenants, including, but not limited to, limitations on the ability of the Borrowers and their subsidiaries to incur additional debt and liens, dispose of assets, and make certain investments and restricted payments, including the prepayment of certain debt and cash dividends. In addition, the Amended Credit Facility contains financial covenants requiring that the Borrowers maintain (a) a minimum ratio of consolidated adjusted EBITDA to consolidated cash interest expense (as such terms are defined in the Amended Credit Facility) of not less than 4.00 to 1.00 and (b) a maximum ratio of consolidated total debt to consolidated adjusted EBITDA of no greater than 2.25 to 1.00. The Company was in compliance with all such financial covenants as of March 27, 2016.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (unaudited)

Tumi Japan Credit Facilities

Tumi Japan has uncommitted credit facilities with regional branches of Bank of Tokyo-Misubishi UFJ and Resona Bank, Ltd. (the "Tumi Japan Credit Facilities.") These credit facilities are subject to annual renewal and may be used to fund the general working capital and corporate needs of Tumi Japan. Borrowings under the Tumi Japan Credit Facilities are granted at the sole discretion of the Banks, subject to availability of the Banks' funds and satisfaction of certain regulatory requirements. The Tumi Japan Credit Facilities do not contain any financial covenants. Details of the Tumi Japan Credit Facilities are as follows:

- Bank of Tokyo-Mitsubishi UFJ Credit Facility—provides a revolving line of credit of up to 100,000,000 yen. Borrowings under the Credit Facility bear interest at a per annum rate equal to the Japanese interest rate plus a margin of 0.850%.
- Resona Bank Ltd. Credit Facility—provides a revolving line of credit of up to 500,000,000 yen. Borrowings under the Credit Facility bear interest at a per annum rate equal to the Japanese interest rate plus a margin of 1.00%.

As of March 27, 2016 the Company had $2,654,000 outstanding under the Tumi Japan Credit Facilities. This is recorded as short-term debt on the Company's condensed consolidated balance sheet.

Notes Payable

Tumi Japan enters into promissory note arrangements with its banks. The notes are non-interest bearing and are generally contractually due three months after the issuance date. There were no guarantees or collateral held against the notes.

10. COMMITMENTS AND CONTINGENCIES

Litigation

From time to time, we may be subject to legal proceedings and claims in the ordinary course of business, including proceedings to protect our intellectual property rights. The Company is not currently a party to any legal proceedings, the adverse outcome of which, in management's opinion, would have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

On March 3, 2016, Tumi entered into a merger agreement with Samsonite International S.A. ("Samsonite") and PTL Acquisition Inc., pursuant to which Samsonite will acquire Tumi. Thereafter, on March 15, 2016, a putative stockholder class action challenging the merger was filed in New Jersey Superior Court and was captioned Sun v. Tumi Holdings, Inc., et al., No. C-32-16 (N.J. Super.) (the "Sun State Court Action"). The Sun State Court Action alleged that the members of Tumi's board breached their fiduciary duties by, among other things, entering into the merger agreement with Samsonite at an inadequate price, failing to engage in an auction process, and failing to disclose all material information to Tumi's stockholders. The Sun State Court Action also alleged that Tumi and Samsonite aided and abetted these alleged breaches of fiduciary duties. On April 14, 2016, plaintiff voluntarily dismissed the Sun State Court Action.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (unaudited)

On April 19, 2016, the same plaintiff who filed the Sun State Court Action, filed an action in the District of New Jersey, captioned Sun v. Tumi Holdings, Inc., et al., No. 2:16-cv-02184-JMV-JBC (D. NJ.) (the "Sun Federal Court Action"). The Sun Federal Court Action makes only disclosure claims, alleging an individual claim for violation of Section 14(a) of the Securities Exchange Act of 1934, as amended to date ("1934 Act") against Tumi and the members of its board, as well as an individual claim for violation of Section 20(a) of the 1934 Act against Samsonite and the members of Tumi's board. Tumi and the board believes these claims are wholly without merit.

Leases

The Company leases certain office, distribution and retail facilities. The lease agreements, which expire at various dates through 2028, are subject, in some cases, to renewal options and provide for the payment of taxes, insurance and maintenance. Certain leases contain escalation clauses resulting from the pass-through of increases in operating costs, property taxes and the effect on costs from changes in consumer price indices. Certain rentals are also contingent upon factors such as sales. Rent-free periods and scheduled rent increases are recorded as components of rent expense on a straight-line basis over the related terms of such leases. Contingent rentals are recognized when the achievement of the target (i.e., sales levels) which triggers the related payment is considered probable. Such expenses were not material for the three months ended March 27, 2016 and March 29, 2015, respectively.

11. INCOME TAXES

Income tax expense has been recognized based on the Company's estimated annual effective tax rate, which is based upon the tax rate expected for the full calendar year applied to the pre-tax income of the interim period, as well as for the impact of discrete events that have taken place during the current reporting period. The Company's consolidated effective tax rate was 26.6% and 35.0% for the three months ended March 27, 2016 and March 29, 2015, respectively. The decrease in the effective tax rate is primarily related to the benefit from the pre-tax gain on the existing joint venture investment recorded in connection with the Tumi Japan acquisition, which is non-taxable. The benefit of approximately $1.0 million has been accounted for as a discrete item in the Company's tax provision for the first quarter of 2016.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (unaudited)

12. EARNINGS PER SHARE

The following table summarizes the calculation of basic and diluted earnings per common share for the three months ended March 27, 2016 and March 29, 2015:

	Three Months Ended	
	March 27, 2016	March 29, 2015
	(In thousands, except share and per share data)	
Basic earnings per common share:		
Numerator:		
Net income	$ 7,903	$ 6,374
Denominator:		
Basic weighted average common shares outstanding	67,442,501	67,868,867
Basic earnings per common share	$ 0.12	$ 0.09
Diluted earnings per common share:		
Numerator:		
Net income	$ 7,903	$ 6,374
Denominator:		
Number of shares used in basic calculation	67,442,501	67,868,867
Weighted average dilutive effect of employee stock options and restricted stock units	42,080	49,571
Diluted weighted average common shares outstanding	67,484,581	67,918,438
Diluted earnings per common share	$ 0.12	$ 0.09

The Company excluded 1,244,113 and 519,986 weighted average stock options and restricted stock units for the three months ended March 27, 2016 and March 29, 2015, respectively, from the calculation of diluted earnings per common share because they were determined to be antidilutive. In addition, as of March 27, 2016 and March 29, 2015, there were 280,161 and 179,657 performance-based restricted stock units, respectively, that were excluded from the computation of diluted earnings per share because these units have not yet been earned in accordance with the vesting conditions of the plan.

13. SEGMENT INFORMATION

Segment Results

The Company sells its products globally to consumers through both direct and indirect channels and manages its business through four operating segments: Direct-to-Consumer North America, Direct-to-Consumer International, Indirect-to-Consumer North America and Indirect-to-Consumer International. Although the Company's products fall into three major categories: travel, business cases and accessories, the Company's classification of individual product codes into these categories is fluid and dynamic; while the Company collects gross sales data, the Company does not collect financial information to derive net sales (including discounts and allowances) and markdowns by product category in sufficient detail to report such data in its financial statements in the aggregate or by segment.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (unaudited)

The table below presents information for net sales, operating income and depreciation and amortization by segment for the three months ended March 27, 2016 and March 29, 2015:

	Direct-to-Consumer North America	Direct-to-Consumer International	Indirect-to-Consumer North America	Indirect-to-Consumer International	Non-Allocated Corporate Expenses	Consolidated Totals
			(In thousands)			
Three Months Ended March 27, 2016						
Net sales	$57,168	$12,750	$18,872	$29,552	$ —	$118,342
Operating income (loss)	$11,781	$ 790	$ 7,298	$ 7,120	$(19,228)	$ 7,761
Depreciation and amortization	$ 3,084	$ 581	$ 477	$ 1,064	$ 580	$ 5,786
Three Months Ended March 29, 2015						
Net sales	$52,002	$ 6,499	$22,236	$29,724	$ —	$110,461
Operating income (loss)	$10,834	$ 145	$ 8,645	$ 8,933	$(18,994)	$ 9,563
Depreciation and amortization	$ 2,569	$ 441	$ 463	$ 956	$ 605	$ 5,034

14. CONCENTRATION OF RISK

Credit Risk

The Company's accounts receivable include large balances due from a small number of major customers, principally distribution partners in the Asia-Pacific region and large department and specialty luggage stores dispersed throughout the United States. Failure of one major customer to pay its balance could have a significant impact on the financial position, results of operations and cash flows of the Company. Five of the Company's largest customers in the aggregate accounted for 10.9% and 23.8% of consolidated trade accounts receivable at March 27, 2016 and December 31, 2015, respectively. These five customers accounted for 9.3% and 11.9% of consolidated net sales for the three months ended March 27, 2016 and March 29, 2015, respectively.

Supplier Risk

The Company's product offerings are enhanced by custom raw materials that have specific technical requirements. The Company has selected a limited number of key suppliers with the capability to support these manufacturing requirements and manufactures the majority of its products in Asia. Although alternatives in the supply chain exist, a change in suppliers could cause a delay in manufacturing and have a short-term adverse effect on operating results. Additionally, purchases from these key suppliers are denominated in U.S. dollars. Foreign currency risk associated with these supply arrangements is shared with these suppliers. Five of the Company's largest suppliers accounted for 43.7% and 41.2% of accounts payable at March 27, 2016 and December 31, 2015, respectively. These five suppliers accounted for 74.2% and 83.4% of total product purchases for the three months ended March 27, 2016 and March 29, 2015, respectively.

15. SHARE-BASED COMPENSATION PLANS AND AWARDS

2012 Long-Term Incentive Plan

The Company adopted the 2012 Long-Term Incentive Plan (the "2012 Plan") effective April 18, 2012, which has a term of 10 years. The Company's compensation committee will generally

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (unaudited)

designate those individuals eligible to participate in the 2012 Plan. Subject to adjustment in the event of a merger, recapitalization, stock split, reorganization or similar transaction, 6,786,667 shares, or the share limit, are reserved for issuance in connection with awards granted under the 2012 Plan. Any unexercised, unconverted or undistributed portion of any award that is not paid in connection with the settlement of an award or is forfeited without the issuance of shares shall again be available for grant under the 2012 Plan. Options and stock appreciation rights under the 2012 Plan have a maximum term of 10 years.

The 2012 Plan provides for the grant of stock options (including nonqualified stock options and incentive stock options), restricted stock, restricted stock units, performance awards (which include, but are not limited to, cash bonuses), dividend equivalents, stock payment awards, stock appreciation rights, and other incentive awards. The exercise price of an option or stock appreciation price must be equal to or greater than the fair market value of the Company's common stock on the date of grant.

The following table shows the total compensation cost charged against income for share-based compensation plans and the related potential future tax benefits recognized in the income statement for the periods indicated:

	Three Months Ended	
	March 27, 2016	March 29, 2015
	(In thousands)	
Share-based compensation expense	$1,322	$1,354
Income tax benefit related to share-based compensation	$ 489	$ 501

Stock Options

The fair value of each option award is estimated on the date of grant using the Black-Scholes option valuation model. Due to the limited trading history of the Company's common stock, the volatility assumption used was based on the weighted average historical stock prices of a peer group which is representative of the Company's size and industry. The Company considers estimates for employee termination and the period of time the options are expected to be outstanding for the option term assumption within the valuation model. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of the grant.

The following table presents the weighted average assumptions used to estimate the fair value of the options granted during the periods presented:

	Three Months Ended	
	March 27, 2016	March 29, 2015
Weighted average volatility	40.07%	43.55%
Expected dividend yield	—%	—%
Expected term (in years)	6	6
Risk-free rate	1.32%	1.73%

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (unaudited)

A summary of option activity under the 2012 Plan as of March 27, 2016 and changes during the three months then ended is presented below:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding—December 31, 2015	1,281,933	$21.69		
Granted	18,939	$19.75		
Exercised	(221,610)	$21.38		
Forfeited or expired	(32,975)	$22.39		
Outstanding—March 27, 2016	1,046,287	$21.69	7.94	$5,354,948
Options vested and expected to vest as of March 27, 2016	1,015,188	$21.69	7.93	$5,195,233
Options vested and exercisable as of March 27, 2016	481,551	$21.74	7.54	$2,440,349

The weighted average grant-date fair value of options granted during the three months ended March 27, 2016 and March 29, 2015 was $7.92 and $10.16, respectively.

The total intrinsic value of options exercised during the first quarter of 2016 was $1,154,000. The total cash received from option exercises was $5,193,000 during the three months ended March 27, 2016, and the cash tax benefit realized for the tax deductions from these option exercises was approximately $427,000.

As of March 27, 2016, there was $3,800,000 of total unrecognized compensation cost related to nonvested stock options. Such cost is expected to be recognized over a weighted average period of 1.73 years. The total fair value of options vested during the three months ended March 27, 2016 was $2,376,000.

Performance-Based Restricted Stock Units

In 2014, the Company began granting performance-based restricted stock units ("RSUs") to key executives, as well as certain of its other employees. Performance-based RSUs are awards denominated in units that are settled in shares of the Company's common stock upon vesting. The vesting of these units is subject to the employee's continuing employment and the Company's achievement of certain performance goals during the applicable vesting period. The fair value of performance-based RSUs is based on the fair value of the Company's common stock on the date of grant. Expense for performance-based RSUs is recognized over the employees' requisite service period when the attainment of the performance goal is deemed probable.

TUMI HOLDINGS, INC. AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (unaudited)

A summary of the status of performance-based RSUs as of March 27, 2016 and changes during the three months then ended is presented below:

	Number of Units	Weighted Average Grant-Date Fair Value
Nonvested—December 31, 2015	157,754	$22.94
Granted	130,624	$19.75
Vested	—	$ —
Forfeited	(8,217)	$23.08
Nonvested—March 27, 2016	280,161	$21.45

As of March 27, 2016, there was $2,163,000 of total unrecognized compensation cost related to nonvested performance-based RSUs. Such cost is expected to be recognized over a weighted average period of 2.07 years.

Service-Based Restricted Stock Units

In 2014, the Company began granting service-based RSUs to certain non-employee directors. These service-based RSUs generally vest over a one-year period, subject to the director's continuing service. In 2015, the Company began granting service-based RSUs to key executives, as well as certain of its other employees. These service-based RSUs generally vest over a three-year period, subject to the employee's continuing service. The fair value of service-based RSUs is based on the fair value of the Company's common stock on the date of grant.

A summary of the status of service-based RSUs as of March 27, 2016 and changes during the three months then ended is presented below:

	Number of Units	Weighted Average Grant-Date Fair Value
Nonvested—December 31, 2015	73,280	$23.19
Granted	201,795	$19.75
Vested	(19,417)	$23.25
Forfeited	(2,688)	$23.25
Nonvested—March 27, 2016	252,970	$20.44

The weighted-average grant-date fair value of service-based RSUs granted during the three months ended March 27, 2016 and March 29, 2015 was $19.75 and $23.25, respectively.

As of March 27, 2016, there was $3,755,000 of total unrecognized compensation cost related to nonvested service-based RSUs. Such cost is expected to be recognized over a weighted average period of 2.63 years. The total fair value of service-based RSUs vested during the three months ended March 27, 2016 was $451,000.

B. REPORTS FROM THE AUDITORS ON THE AUDITED FINANCIAL INFORMATION OF THE TUMI GROUP OF EACH OF THE THREE YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015

1. The following is the text of the report from Grant Thornton LLP, Independent Registered Public Accounting Firm, United States, in respect of the audited financial information of the Tumi Group as of and for each of the two years ended December 31, 2013 and 2014.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Tumi Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Tumi Holdings, Inc. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for the years ended December 31, 2014 and 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tumi Holdings, Inc. and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years ended December 31, 2014 and 2013, in conformity with accounting principles generally accepted in the United States of America.

/s/ GRANT THORNTON LLP

New York, New York
February 27, 2015

2. The following is the text of the report from Deloitte & Touche LLP, Independent Registered Public Accounting Firm, United States, in respect of the audited financial information of the Tumi Group as of and for the year ended December 31, 2015.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Tumi Holdings, Inc.

Tumi Holdings, Inc.
1001 Durham Ave.
South Plainfield, NJ 07080

We have audited the accompanying consolidated balance sheet of Tumi Holdings, Inc. and subsidiaries (the "Company") as of December 31, 2015, and the related consolidated statement of operations, comprehensive income, statement of changes in stockholders' equity, and cash flows for the year then ended. We also have audited the Company's internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tumi Holdings, Inc. and subsidiaries as of December 31, 2015 and the results of their operations and their cash flows for the year then ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ DELOITTE & TOUCHE LLP

Parsippany, New Jersey
February 25, 2016

C. DIFFERENCES BETWEEN THE ACCOUNTING POLICIES ADOPTED BY THE COMPANY (IFRS) AND TUMI (U.S. GAAP)

As described in "*Letter from the Board—Waiver from Strict Compliance with the Listing Rules*", the Company has applied to the Stock Exchange for, and been granted, a waiver from the requirement to produce an accountants' report on Tumi in accordance with Rule 14.67(6)(a)(i) of the Listing Rules.

Instead, this circular contains a copy of:

(a) the audited consolidated financial statements of Tumi for the financial years ended December 31, 2013, 2014 and 2015 prepared in accordance with U.S. GAAP, including the management discussion and analysis, extracted from the annual reports of Tumi for each of those years (together the "**Tumi Historical Track Record Accounts**"); and

(b) the unaudited condensed consolidated financial statements of Tumi for the three months ended March 31, 2016, including the management discussion and analysis, extracted from the quarterly report of Tumi for the aforementioned period (the "**Tumi Q1 2016 Accounts**").

The Tumi Historical Track Record Accounts cover the financial positions of Tumi as of December 31, 2013, 2014 and 2015 and the results of Tumi for each of the three years ended December 31, 2013, 2014 and 2015 (the "**Relevant Periods**").

The accounting policies adopted in the preparation of the Tumi Historical Track Record Accounts differ in certain material respects from the accounting policies presently adopted by the Company which comply with IFRS. Differences which would have a significant effect on the Tumi Historical Track Record Accounts, had they been prepared in accordance with the accounting policies presently adopted by the Company rather than in accordance with U.S. GAAP, are set out below in "*Tumi's Unaudited Adjusted Financial Information under the Company's Policies*", with the following disclosures:

(a) a comparison between Tumi's consolidated statements of operations and consolidated statements of comprehensive income as extracted from the Tumi Historical Track Record Accounts, prepared in accordance with U.S. GAAP, and adjusted consolidated income statement and consolidated statement of comprehensive income had they instead been prepared in accordance with the accounting policies adopted by the Company which are in compliance with IFRS. The process applied in the preparation of such a comparison is set out in the "*Basis of Preparation*" and "*Reconciliation Process*" sections below;

(b) a comparison between Tumi's consolidated balance sheets as extracted from the Tumi Historical Track Record Accounts, prepared in accordance with U.S. GAAP, and adjusted consolidated statement of financial position had they instead been prepared in accordance with the accounting policies adopted by the Company which are in compliance with IFRS. The process applied in the preparation of such a comparison is also set out in the "*Basis of Preparation*" and "*Reconciliation Process*" sections below; and

(c) a discussion of the material financial statement line item differences arising out of the exercise outlined in (a) and (b) above.

The above referenced items are collectively referred to as the "**Reconciliation Information**".

The Tumi Q1 2016 Accounts are included in this circular on a voluntary basis to provide Shareholders with the most up to date published financial information in relation to Tumi. The Tumi Q1 2016 Accounts were prepared in accordance with U.S. GAAP, and are not covered by the Reconciliation Information.

Basis of Preparation

The Reconciliation Information for the Relevant Periods, which presents the "*Unadjusted Financial Information under U.S. GAAP*" of Tumi as if it had been prepared in accordance with the accounting policies presently adopted by the Company which are in compliance with IFRS, has been prepared on the assumption that the transition provisions of IFRS 1, First-time Adoption of International Financial Reporting Standards ("**IFRS 1**") are applicable to Tumi. Tumi's IFRS transition date is deemed to be January 1, 2013 and as such, Tumi has applied the mandatory exceptions and certain optional exemptions afforded by IFRS 1 for the preparation of the Reconciliation Information for the Relevant Periods.

Reconciliation Process

The Reconciliation Information has been prepared by Tumi by comparing and analyzing the differences between the accounting policies adopted by Tumi for the preparation of the Tumi Historical Track Record Accounts in accordance with U.S. GAAP and the accounting policies adopted by the Company which are in compliance with IFRS, and quantifying the relevant material financial effects of such differences.

Deloitte Touche Tohmatsu ("**Deloitte Hong Kong**") was engaged by the Company to conduct work in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" ("**HKSAE 3000**") issued by the HKICPA on the Reconciliation Information. The work consisted primarily of:

(i) comparing the "*Unadjusted Financial Information under U.S. GAAP*" as set out below in the section "*Tumi's Unaudited Adjusted Financial Information under the Company's Policies*" with the Tumi Historical Track Record Accounts prepared under U.S. GAAP;

(ii) considering the adjustments made and evidence supporting the adjustments made in arriving at the "*Adjusted Financial Information under the Company's Policies*" also set out below in the section "*Tumi's Unaudited Adjusted Financial Information under the Company's Policies*", which included examining the differences between Tumi's accounting policies and the Company's accounting policies; and

(iii) checking the arithmetic accuracy of the computation of the "*Adjusted Financial Information under the Company's Policies*".

Deloitte Hong Kong's engagement did not involve independent examination of any of the underlying financial information. The work carried out in accordance with HKSAE 3000 is different in scope from an audit or a review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA and consequently, Deloitte Hong Kong did not express an audit opinion nor a review conclusion on the Reconciliation Information. Deloitte Hong Kong's engagement was intended solely for the use of the Directors in connection with this circular and may not be suitable for another purpose. Based on the work performed, Deloitte Hong Kong has concluded that:

(i) the "*Unadjusted Financial Information under U.S. GAAP*" as set out in the section "*Tumi's Unaudited Adjusted Financial Information under the Company's Policies*" is in agreement with the Tumi Historical Track Record Accounts;

(ii) the adjustments reflect, in all material respects, the differences between Tumi's accounting policies and the Company's accounting policies; and

(iii) the computation of the "*Adjusted Financial Information under the Company's Policies*" is arithmetically accurate.

Tumi's Unaudited Adjusted Financial Information under the Company's Policies

The Tumi Historical Track Record Accounts for the Relevant Periods have been prepared and presented in accordance with U.S. GAAP. There are no material measurement differences between the Tumi Historical Track Record Accounts, as prepared in accordance with U.S. GAAP, compared to that applying the accounting policies presently adopted by the Company which are in compliance with IFRS, other than as set out below:

1— Share-based Payments *(note n)*

2— Income Taxes *(note o)*

The Reconciliation Information also includes reclassification adjustments to align the presentation of the Tumi Historical Track Record Accounts with the Company's presentation.

Unaudited Adjusted Consolidated Income Statement and Consolidated Statement of Comprehensive Income under the Company's Policies for the year ended December 31, 2013

	Notes	Unadjusted Financial Information under U.S. GAAP	Measurement Adjustments	Classification Adjustments	Adjusted Financial Information under the Company's Policies
Net sales		467,438			467,438
Cost of sales	a, n	198,593	173	(4,746)	194,020
Gross Profit		268,845	(173)	4,746	273,418
Distribution expenses	a, b, n	—	594	134,368	134,962
Selling expenses	b	28,875		(28,875)	—
Marketing expenses	n	17,373	16		17,389
Retail operations	b	98,720		(98,720)	—
General and administrative expenses	b, n	37,514	311	(2,027)	35,798
Other income (expense)	c	—		90	90
Operating Profit		86,363	(1,094)	90	85,359
Earnings from Joint Venture Investments	c	184		(184)	—
Foreign exchange gains	d	388		(388)	—
Interest expense	e	(733)		733	—
Other non-operating income (expenses)	c	(94)		94	—
Finance income	e	—		162	162
Finance costs	d, e	—		(507)	(507)
Net finance costs		(255)	—	(90)	(345)
Profit before income tax		86,108	(1,094)	—	85,014
Income tax expense	o	31,549	751		32,300
Profit for the year		54,559	(1,845)	—	52,714
Consolidated Statement of Comprehensive Income					
Profit for the year		54,559	(1,845)	—	52,714
Other Comprehensive Income:					
Items that are or may be reclassified subsequently to profit or loss:					
Foreign currency translation losses for foreign operations		345			345
Total comprehensive income for the year		54,904	(1,845)	—	53,059

Unaudited Adjusted Consolidated Statement of Financial Position under the Company's Policies as of December 31, 2013

	Notes	Unadjusted Financial Information under U.S. GAAP	Measurement Adjustments	Classification Adjustments	Adjusted Financial Information under the Company's Policies
Assets					
Non-Current Assets:					
Property, plant and equipment		60,871			60,871
Goodwill		142,773			142,773
Other intangible assets	f	130,673		2,852	133,525
Deferred tax assets	g	2,124		(1,736)	388
Joint venture investments	h	1,960		(1,960)	—
Deferred financing costs	i	536		(536)	—
Other assets and receivables	f, h	5,837		(790)	5,047
Total non-current assets		344,774	—	(2,170)	342,604
Current Assets:					
Inventories, net		79,969			79,969
Trade and other receivables	k	28,992		2,914	31,906
Prepaid expenses and other current assets	f	6,878		(102)	6,776
Cash and cash equivalents		37,613			37,613
Other receivables	k	2,914		(2,914)	—
Deferred tax assets	g	5,347		(5,347)	—
Total current assets		161,713	—	(5,449)	156,264
Total Assets		506,487	—	(7,619)	498,868
Equity and Liabilities					
Equity:					
Share capital		681			681
Reserves	l	—	(1,845)	368,411	366,566
Additional Paid in capital	l, n	310,554	1,094	(311,648)	—
Treasury stock	l	(4,874)		4,874	—
Retained earnings	l, n, o	61,725		(61,725)	—
Accumulated other comprehensive loss	l	(88)		88	—
Total Equity		367,998	(751)	—	367,247
Non-Current Liabilities:					
Loans and borrowings	i	—		7,464	7,464
Revolving Credit Facilities	i	8,000		(8,000)	—
Deferred tax liabilities	g, o	51,195	751	(7,083)	44,863
Other liabilities		8,556			8,556
Total non-current liabilities		67,751	751	(7,619)	60,883
Current Liabilities:					
Employee benefits	m	—		7,292	7,292
Trade and other payables	m	33,938		24,828	58,766
Accrued expenses	m	32,120		(32,120)	—
Current tax liabilities		4,680			4,680
Total current liabilities		70,738	—	—	70,738
Total Liabilities		138,489	751	(7,619)	131,621
Total Equity and Liabilities		506,487	—	(7,619)	498,868

Unaudited Adjusted Consolidated Income Statement and Consolidated Statement of Comprehensive Income under the Company's Policies for the year ended December 31, 2014

	Notes	Unadjusted Financial Information under U.S. GAAP	Measurement Adjustments	Classification Adjustments	Adjusted Financial Information under the Company's Policies
Net sales		527,194			527,194
Cost of sales	a, n	221,227	(11)	(6,005)	215,211
Gross Profit		305,967	11	6,005	311,983
Distribution expenses	a, b, n	—	86	159,836	159,922
Selling expenses	b	36,447		(36,447)	—
Marketing expenses	n	17,539	20		17,559
Retail operations	b	114,752		(114,752)	—
General and administrative expenses	b, n	43,799	474	(2,632)	41,641
Other income (expense)	c	—		411	411
Operating Profit		93,430	(569)	411	93,272
Earnings from Joint Venture Investments	c	279		(279)	—
Foreign exchange gains	d	475		(475)	—
Interest expense	e	(477)		477	—
Other non-operating income (expenses)	c	132		(132)	—
Finance income	e	—		147	147
Finance costs	d, e	—		(149)	(149)
Net finance costs		409	—	(411)	(2)
Profit before income tax		93,839	(569)	—	93,270
Income tax expense	o	35,830	604		36,434
Profit for the year		58,009	(1,173)	—	56,836
Consolidated Statements of Comprehensive Income					
Profit for the year		58,009	(1,173)	—	56,836
Other Comprehensive Income (loss):					
Items that are or may be reclassified subsequently to profit or loss:					
Foreign currency translation losses for foreign operations		(2,787)			(2,787)
Total comprehensive income for the year		55,222	(1,173)	—	54,049

Unaudited Adjusted Consolidated Statement of Financial Position under the Company's Policies as of December 31, 2014

	Notes	Unadjusted Financial Information under U.S. GAAP	Measurement Adjustments	Classification Adjustments	Adjusted Financial Information under the Company's Policies
Assets					
Non-current Assets:					
Property, plant and equipment		79,067			79,067
Goodwill		142,773			142,773
Other intangible assets	f	130,414		6,295	136,709
Deferred tax assets		386			386
Joint venture investments	h	2,156		(2,156)	—
Other assets and receivables	f, h	11,279		(4,037)	7,242
Total non-current assets		366,075	—	102	366,177
Current Assets:					
Inventories, net		89,231			89,231
Trade and other receivables	k	31,890		3,003	34,893
Prepaid expenses and other assets	f	8,315		(102)	8,213
Cash and cash equivalents		52,796			52,796
Other receivables	k	3,003		(3,003)	—
Total current assets		185,235	—	(102)	185,133
Total Assets		551,310	—	—	551,310
Equity and Liabilities					
Equity					
Share capital		681			681
Reserves	l	—	(3,018)	427,865	424,847
Additional Paid in capital	l, n	314,217	1,663	(315,880)	—
Treasury Stock	l	(4,874)		4,874	—
Retained earnings	l, n, o	119,734		(119,734)	—
Accumulated other comprehensive loss	l	(2,875)		2,875	—
Total Equity		426,883	(1,355)	—	425,528
Non-Current Liabilities:					
Deferred tax liabilities	o	42,002	1,355		43,357
Other liabilities		11,407			11,407
Total non-current liabilities		53,409	1,355	—	54,764
Current Liabilities:					
Employee benefits	m	—		6,431	6,431
Trade and other payables	m	33,898		28,355	62,253
Accrued expenses	m	34,786		(34,786)	—
Current tax liabilities		2,334			2,334
Total current liabilities		71,018	—	—	71,018
Total Liabilities		124,427	1,355	—	125,782
Total Equity and Liabilities		551,310	—	—	551,310

Unaudited Adjusted Consolidated Income Statement and Consolidated Statement of Comprehensive Income under the Company's Policies for the year ended December 31, 2015

	Notes	Unadjusted Financial Information under U.S. GAAP	Measurement Adjustments	Classification Adjustments	Adjusted Financial Information under the Company's Policies
Net sales		547,655			547,655
Cost of sales	a, n	220,755	(54)	(5,822)	214,879
Gross profit		326,900	54	5,822	332,776
Distribution expenses	a, b, n	—	75	169,858	169,933
Selling expenses	b	33,946		(33,946)	—
Marketing expenses	n	18,565	3		18,568
Retail operations	b	127,848		(127,848)	—
General and administrative expenses	b, n	49,653	456	(2,242)	47,867
Other income (expense)	c	—		485	485
Operating Profit		96,888	(480)	485	96,893
Earnings from Joint Venture Investments	c	411		(411)	—
Foreign exchange gains	d	427		(427)	—
Interest expense	e	(347)		347	—
Other non-operating income (expenses)	c	74		(74)	—
Finance income	e	—		101	101
Finance costs	d, e	—		(21)	(21)
Net finance income		565	—	(485)	80
Profit before income tax		97,453	(480)	—	96,973
Income tax expense	o	34,440	1,543		35,983
Profit for the year		63,013	(2,023)	—	60,990
Consolidated Statement of Comprehensive Income					
Profit for the year		63,013	(2,023)	—	60,990
Other Comprehensive Income (loss):					
Items that are or may be reclassified subsequently to profit or loss:					
Foreign currency translation losses for foreign operations		(3,509)			(3,509)
Total comprehensive income for the year		59,504	(2,023)	—	57,481

Unaudited Adjusted Consolidated Statement of Financial Position under the Company's Policies as of December 31, 2015

	Notes	Unadjusted Financial Information under U.S. GAAP	Measurement Adjustments	Classification Adjustments	Adjusted Financial Information under the Company's Policies
Assets					
Non-Current Assets:					
Property, plant and equipment		83,501			83,501
Goodwill		142,773			142,773
Other intangible assets	f	130,400		4,825	135,225
Deferred tax assets		771			771
Joint venture investments	h	1,840		(1,840)	—
Other assets and receivables	f, h	9,270		(2,924)	6,346
Total non-current assets		368,555	—	61	368,616
Current Assets:					
Inventories		99,688			99,688
Trade and other receivables	k	32,434		3,543	35,977
Prepaid expenses and other assets	f, j	12,096		935	13,031
Cash and cash equivalents		94,632			94,632
Other receivables	k	3,543		(3,543)	—
Prepaid income taxes	j	996		(996)	—
Total current assets		243,389	—	(61)	243,328
Total Assets		611,944	—	—	611,944
Equity and Liabilities					
Equity					
Share capital		681			681
Reserves	l	—	(5,041)	482,308	477,267
Additional paid in capital	l, n	317,140	2,143	(319,283)	—
Treasury stock	l	(13,338)		13,338	—
Retained earnings	l, n, o	182,747		(182,747)	—
Accumulated other comprehensive loss	l	(6,384)		6,384	—
Total equity		480,846	(2,898)	—	477,948
Non-Current Liabilities:					
Deferred tax liabilities	o	42,734	2,898		45,632
Other liabilities		12,775			12,775
Total non-current liabilities		55,509	2,898	—	58,407
Current Liabilities:					
Employee benefits	m	—		7,288	7,288
Trade and other payables	m	35,844		31,842	67,686
Accrued expenses	m	39,130		(39,130)	—
Current tax liabilities		615			615
Total current liabilities		75,589	—	—	75,589
Total Liabilities		131,098	2,898	—	133,996
Total Equity and Liabilities		611,944	—	—	611,944

Reclassifications—Alignment of Tumi's Presentation to the Company's Presentation

a. Freight/Shipping Expenses

Tumi presents freight expenses related to retail e-commerce sales and certain shipping costs related primarily to pickers and packers within "Cost of Sales". The Company presents all such expenses as "Distribution Expenses" and accordingly, these items have been reclassified.

b. Distribution Expenses

Tumi presents "Selling expenses" and "Retail Operations" as separate line items on its consolidated statements of operations, while shipping and warehouse expenses are presented as a component of "General and Administrative expenses." The Company presents all such expenses as "Distribution Expenses" and accordingly, items have been reclassified.

c. Other Income (Expenses)

Tumi presents "Earnings from Joint Venture Investments" as a separate line item on its consolidated statements of operations. The Company presents earnings from equity method investees as a component of "Other income (expenses)." Therefore, "Earnings from Joint Venture Investments" have been reclassified to "Other income (expenses)." In addition, Tumi presents "Other non-operating income (expenses)" below the line as a non-operating component of its consolidated statements of operations. The Company presents "Other income (expenses)" as a component of "Operating profit." As such, "Other non-operating income (expenses)" has been reclassified above the line as part of "Operating profit" for each period.

d. Foreign Exchange Gains or Losses

Tumi presents foreign exchange gains or losses as a separate line item on its consolidated statements of operations. The Company presents all foreign exchange gains or losses within "Finance costs." Therefore, Tumi's foreign exchange gains and losses have been reclassified to "Finance costs."

e. Interest Expense

Tumi presents interest income and expense on a net basis, and presents as a single line item on its consolidated statements of operations. The Company presents interest expense within "Finance costs" and interest income within "Finance income." Therefore, Tumi has reclassified interest income to "Finance income" and interest expense to "Finance costs."

f. Key Money Rights

Tumi presents key money rights to be amortized in the current year as a component of "Prepaid expenses and other current assets" and key money rights to be amortized subsequent to the current year as "Other assets and receivables." The Company presents key money rights as intangible assets. As such, key money rights presented within "Prepaid expenses and other current assets" and "Other assets and receivables" were reclassified to "Other intangible assets."

g. Deferred Taxes

Tumi classified deferred taxes as either current or non-current as of December 31, 2013. The Company classifies all deferred tax balances as non-current regardless of the period in which the underlying timing differences are expected to reverse. Tumi's deferred tax balances as of December 31, 2013 were reclassified accordingly.

h. Joint Venture Investments

Tumi presents its equity method investments as a separate line item on its consolidated balance sheets. The Company presents its equity method investments as a component of "Other assets and receivables." As such, Tumi's equity method investments have been reclassified to "Other assets and receivables".

i. Deferred Financing Costs

Tumi presented deferred financing costs as a separate line item on its consolidated balance sheet as of December 31, 2013. The Company presents deferred financing costs related to the revolving facility as a component of "Loans and borrowings". As such, Tumi's deferred financing costs have been reclassified to "Loans and borrowings" as of December 31, 2013. Furthermore, Tumi's revolving credit facilities as of December 31, 2013 have been reclassified to "Loans and borrowings".

j. Prepaid Income Taxes

Tumi presents prepaid income taxes as a separate line item on its consolidated balance sheets. The Company presents prepaid income taxes as a component of "Prepaid expenses and other current assets." As such, Tumi's prepaid income taxes have been reclassified to "Prepaid expenses and other current assets."

k. Other Receivables

Tumi presents other receivables as a separate line item on its consolidated balance sheets. The Company presents other receivables as a component of "Trade and other receivables." Accordingly, Tumi's other receivables have been reclassified to "Trade and other receivables."

l. Equity

Tumi separately presents each of the components of its reserves. The Company presents its equity as "Share capital" and "Reserves." As such, each of Tumi's reserve components were grouped together and presented as "Reserves."

m. Accrued Expenses

Tumi includes employee-related accruals within "Accrued expenses." The Company differentiates between employee related and non-employee related accruals and separately presents "Employee benefits" and "Trade and other payables". Tumi's "Accrued expenses" were reclassified to "Employee benefits" and "Trade and other payables" accordingly.

Measurement Adjustments

n. Share-based Payments

Share-based payment expenses arising in connection with Tumi's equity classified share-based payment arrangements (i.e. its stock options and time-based Restricted Stock Units ("**RSUs**")) are recognized on a straight-line basis over the vesting period. The Company accounts for each award separately and accordingly, recognizes expenses over the period that the employees unconditionally become entitled to the awards. The difference between expense attribution under Tumi's policy versus the Company's policy resulted in additional pre-tax share-based payment expense of $1.1 million, $0.6 million, and $0.5 million for the fiscal years ended December 31, 2013, 2014 and 2015, respectively.

o. *Income Taxes*

Income tax adjustments reflect the following:

i) The tax effect of the measurement adjustments noted in *n* above; and

ii) The re-measurement of the deferred tax balances related to share-based payments at each period end, having regard to Tumi's share price at each of the respective period ends. Historically, Tumi's measurement of the deferred tax balances were based on cumulative expense recognized irrespective of changes in the underlying share price.

D. SUPPLEMENTAL FINANCIAL INFORMATION OF THE TUMI GROUP

The Company sets out the following supplemental financial information of the Tumi Group, which was not included in Tumi's audited consolidated financial statements showing the financial information for the three financial years ended December 31, 2013, 2014 and 2015.

1. Aging Analysis of Accounts Receivables

Accounts receivables are presented net of related allowances for doubtful accounts of US$0.9 million, US$0.6 million and US$0.5 million as of December 31, 2015, 2014 and 2013, respectively, with the following aging analysis by due date of the respective invoice:

	As of December 31,		
	2015	2014	2013
	(In US$ thousands)		
Current	30,930	29,784	28,502
Past due	1,504	2,106	490
Total accounts receivables	32,434	31,890	28,992

Credit terms are granted based on the credit worthiness of individual customers. As of December 31, 2015, 2014 and 2013, accounts receivables are on average due within 30 to 90 days from the invoice date.

2. Aging Analysis of Accounts Payables

Accounts payables are presented with the following aging analysis by due date of the respective invoice:

	As of December 31,		
	2015	2014	2013
	(In US$ thousands)		
Current	33,689	33,220	29,223
Past due	2,155	678	4,715
Total accounts payables	35,844	33,898	33,938

Accounts payables as of December 31, 2015, 2014 and 2013 are on average due within 30 to 45 days from the invoice date.

3. Gearing Ratio

The following table sets forth the Tumi Group's loans and borrowings (excluding deferred financing costs), total equity and gearing ratio:

	As of December 31,		
	2015	2014	2013
	(In US$ thousands)		
Loans and borrowings (excluding deferred financing costs)	0	0	8,000
Total equity	480,846	426,883	367,998
Gearing ratio(1)	0.0%	0.0%	2.2%

Note

(1) Calculated as total loans and borrowings (excluding deferred financing costs) divided by total equity.

4. Charge on Assets

The Tumi Group maintains a US$70.0 million senior secured revolving credit facility (the "**Amended Credit Facilit**y") with Wells Fargo Bank National Association ("**Wells Fargo**"). The Amended Credit Facility includes a letter of credit sublimit of US$5.0 million.

As of December 31, 2015 and 2014 the Tumi Group had no balance outstanding under the Amended Credit Facility. As of December 31, 2013, the Tumi Group had US$8.0 million outstanding under the Amended Credit Facility. Letters of credit outstanding totaled US$0.4 million, US$0.3 million and US$0.3 million at December 31, 2015, 2014 and 2013, and, accordingly, the unused portion of the Amended Credit Facility was US$69.6 million, US$69.7 million and US$61.7 million, respectively.

All obligations under the Amended Credit Facility are required to be guaranteed by each of the Tumi Group's material domestic subsidiaries, subject to certain exclusions. The obligations under the Amended Credit Facility are secured by substantially all of the Tumi Group's assets and, if applicable, those of the Tumi Group's subsidiary guarantors. As of December 31, 2015, 2014 and 2013, the Tumi Group had pledged assets totaling US$611.9 million, US$551.3 million and US$506.5 million, respectively. As of December 31, 2015, 2014 and 2013, the Tumi Group did not have any subsidiary guarantors.

5. Significant Investments

The Tumi Group did not hold any significant investments for each of the financial years ended December 31, 2015, 2014 and 2013, and it does not anticipate making any significant investments during 2016.

6. Employees' Remuneration

As of December 31, 2015, December 31, 2014 and December 31, 2013, the Tumi Group had 1,577, 1,484 and 1,307, employees, respectively. The increase in headcount was largely driven by the addition of new retail stores, both domestically and internationally. The Tumi Group regularly reviews remuneration and benefits of its employees according to the relevant market practice, employee performance and the financial performance of the Tumi Group.

Share-based compensation plans and awards

The Tumi Group adopted the 2012 Long-Term Incentive Plan (the "2012 Plan") effective April 18, 2012, which has a term of 10 years. The Tumi Group's compensation committee will generally designate those individuals eligible to participate in the 2012 Plan. Subject to adjustment in the event of a merger, recapitalization, stock split, reorganization or similar transaction, 6,786,667 Tumi Shares, or the share limit, are reserved for issuance in connection with awards granted under the 2012 Plan. Any unexercised, unconverted or undistributed portion of any award that is not paid in connection with the settlement of an award or is forfeited without the issuance of Tumi Shares shall again be available for grant under the 2012 Plan. Options and stock appreciation rights under the 2012 Plan have a maximum term of 10 years.

The 2012 Plan provides for the grant of stock options (including nonqualified stock options and incentive stock options), restricted stock, restricted stock units, performance awards (which include, but are not limited to, cash bonuses), dividend equivalents, stock payment awards, stock appreciation rights, and other incentive awards. The exercise price of an option or stock appreciation price must be equal to or greater than the fair market value of the Tumi Group's common stock on the date of grant.

For further details of Tumi's share-based compensation awards and arrangements under the 2012 Plan, please refer to notes 16, 17 and 17 to the consolidated financial statements of the Tumi Group for each of the financial years ended December 31, 2015, 2014 and 2013, respectively, as extracted in the section *"Published Financial Information of the Tumi Group of each of the Three Years Ended December 31, 2013, 2014 and 2015 and the Three Months Ended March 27, 2016*" in this Appendix II.

7. Subsequent Events

On November 4, 2015, the Tumi Group announced that it had entered into an agreement to acquire the remaining 50% stake in its Japanese joint venture, Tumi Japan, from its partners, for a purchase price of 521 million yen (approximately US$4.3 million). Tumi Japan operates a network of 13 Tumi stores, an e-commerce website, and distributes Tumi products across an additional 150 points of sale in Japan. The transaction closed on January 4, 2016.

On March 3, 2016, the Tumi Group entered into the Merger Agreement with the Company and PTL Acquisition, pursuant to which the Company agreed to acquire Tumi, subject to the terms and conditions set out in the Merger Agreement. The acquisition is proposed to be effected by way of a merger of PTL Acquisition with and into Tumi, with Tumi surviving the merger as an indirect wholly-owned subsidiary of the Company. Please refer to "*Letter from the Board*" in this circular for further details of the Merger Agreement.

8. Subsequent Financial Statements

No audited financial statements have been prepared by any of the entities comprising the Tumi Group in respect of any period subsequent to December 31, 2015.

E. MANAGEMENT DISCUSSION AND ANALYSIS OF TUMI

For the purpose of this section only, unless the context requires otherwise, references to the ***"Company", "we", "us" and "our"*** *refer to Tumi and references to* ***"$"*** *refer to US$.*

1. The following is an extract of the management discussion and analysis of the results of Tumi for the year ended December 31, 2013 from the 2013 annual report of Tumi.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with "Selected Consolidated Financial Data" and our audited consolidated financial statements and notes thereto included elsewhere in this report. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from management's expectations. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. We generally identify forward-looking statements by words such as "anticipate," "estimate," "expect," "intend," "project," "plan," "predict," "believe," "seek," "continue," "outlook," "may," "might," "will," "should," "can have," "likely" or the negative version of these words or comparable words. Factors that can cause actual results to differ materially from those reflected in the forward-looking statements include, among others, those discussed in "Risk Factors" and elsewhere in this report. We urge you not to place undue reliance on these forward-looking statements, which reflect management's analysis, judgment, belief or expectation only as of the date hereof. We expressly disclaim any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by applicable securities laws and regulations. Historical results are not necessarily indicative of the results expected for any future period.

Executive Overview

We are a high-growth, global, premium lifestyle brand whose products offer superior quality, durability and innovative design. We offer a comprehensive line of travel and business products and accessories in multiple categories. We design our products for, and market our products to, sophisticated professionals, frequent travelers and brand-conscious individuals who enjoy the premium status of Tumi products. We sell our products through a network of company-owned full-price stores and outlet stores, partner stores, concessions, shop-in-shops, specialty luggage shops, high-end department stores and e-commerce distribution channels. We have approximately 1,900 points of distribution in over 75 countries, and our global distribution network is enhanced by the use of our three logistics facilities located in the United States, Europe and Asia. We design our products in our U.S. design studios and selectively collaborate with well-known, international, industrial and fashion designers for limited edition product lines. Production is sourced globally through a network of suppliers based in Asia, many of which are longtime suppliers, and the Caribbean.

In April 2012, we completed our IPO, at which time we sold a total of 15,608,221 shares of our common stock and certain of our stockholders sold a total of 5,988,624 shares of common stock (inclusive of 2,816,980 shares of common stock from the full exercise of the option granted to the underwriters to purchase additional shares from certain of the selling stockholders). The initial public offering price of the shares sold in the offering was $18.00 per share. We did not receive any proceeds from the sale of shares by the selling stockholders. The total proceeds to us, net of underwriters' discounts and commissions, were approximately $264.1 million. We used the net proceeds received from the IPO to repurchase all of our preferred stock and preferred equity interests and 277,778 shares of our common stock owned by Doughty Hanson.

Subsequent to our IPO, we completed a secondary offering in November 2012 and another in April 2013. These offerings, however, did not have any effect on the number of shares outstanding, as all shares in such offerings were sold by existing stockholders.

Since 2005, we have expanded our global presence by successfully implementing our growth strategies, which have included opening additional company-owned stores and increasing wholesale points of distribution. Our net sales have grown from $165.0 million in 2005 to $467.4 million in 2013, representing a compound annual growth rate of 14%. This increase in net sales resulted primarily from an increase in the number of our company-owned stores from 25 as of January 1, 2005 to 130 as of December 31, 2013, as well as an increase in average net sales per square foot in company-owned stores from $642 for the year ended December 31, 2005 to $1,088 for the year ended December 31, 2013, and continuous growth in our e-commerce business and international wholesale sales. Our ability to expand our points of distribution and to grow our net sales in existing stores has been driven by increasing demand for our products, as well as growing recognition of the Tumi brand. We have recently increased our focus on our women's line, which we estimate has grown from representing approximately 9% of our net sales in 2008 to approximately 11% of our net sales in 2013, and on increasing our overall online presence, for which net sales grew approximately 22% from 2012 to 2013. Since 2006, Direct-to-Consumer e-commerce net sales per fiscal year have ranged from 12% to 14% of total Direct-to-Consumer net sales.

Despite an industry-wide decrease in consumer purchases of discretionary products because of the financial crisis of 2008/2009, our performance remained strong, in part because our flexible operating model enabled us to efficiently manage our operating expenses and quickly respond to changing business conditions. Beginning in the fourth quarter of 2009, we began to see an increase in consumer visits, conversion and store productivity. As general business and economic conditions improved, business travel and consumer traffic and shopping increased, which contributed to a rebound in the performance of our business. Our wholesale accounts began to restock inventories which had been depleted as a result of cutbacks in wholesale orders in reaction to the economic crisis. We also increased our store development activities which had been temporarily decelerated during the financial crisis. We believe many consumers deferred purchases of our products during the financial crisis, and post-crisis sales appear to be increasing due in part to these deferred purchases. We have grown at a compound annual growth rate of 14% in net sales and 17% in operating income from 2005 through 2013. Our return to a high-growth model in 2010 and through 2013 was attributable to the effective implementation of the elements of our growth strategy as well as the general improvement in economic conditions.

In recent years, the travel products industry has seen a trend in consumer preferences towards lighter-weight luggage and travel accessories, as well as merchandise that makes mobile computing and communication more convenient. In light of these trends, we have developed products that fulfill those identified needs, such as our Vapor and Tegra-Lite lines. We have also developed a variety of mobile electronic accessories designed for frequent travelers. We estimate that the accessories category has grown from representing approximately 8% of our net sales in 2008 to 14% of our net sales in 2013. Additionally, we have seen an increase in the relative percentage of our net sales derived from our premium product line, and a decrease in the relative percentage of our net sales derived from our core product line in recent years.

We believe there is a significant opportunity to continue to expand our store base globally, and we plan to add new company-owned and partner stores in upscale malls and prestige street venues. We opened 17 new company-owned stores in the twelve months ended December 31, 2013. We expect to open 18 to 22 company-owned stores in North America and Western Europe in each of 2014 and 2015 while also expanding our online presence. Most of the locations we have identified for new company-owned stores are for full-price stores, while the remaining locations are for outlet stores. We also believe there are opportunities to open additional stores in airport locations.

We believe we have the capacity to increase our Indirect-to-Consumer net sales, both in North America and internationally. In particular, we plan to continue to grow in key Asian markets, particularly China. Currently, more than one third of our net sales in the Asia-Pacific region are to China, with Japan and South Korea being the next largest contributors. Additionally, Indirect-to-Consumer net sales in the Asia-Pacific region have more than tripled in the past five years. We also plan to increase the number of wholesale doors in key European markets including Germany, France and the United Kingdom, and to expand wholesale distribution in Central and South America, while also expanding our product portfolio offered in existing wholesale doors. We believe there is also significant opportunity to open additional points of distribution in airport locations in many of these regions. In North America, we expect to grow net sales by increasing our wholesale door presence, expanding our accessories business in department stores, increasing the variety of products available to third party e-commerce providers and increasing penetration of the Canadian market through department stores, specialty stores, e-commerce sales and new distribution partners. Since 2008, Indirect-to-Consumer net sales have increased in EMEA, the Asia-Pacific region and North America and have decreased slightly in Central and South America.

We generally expect the payback of our investment in a new company-owned store to occur in less than two and a half years. We also believe we can increase our average net sales per square foot by continuing to improve store efficiency. Our new product development efforts help drive store traffic while our retail performance maximization program and associate training efforts contribute to improved store efficiency. We also believe we can continue to increase our net sales by capitalizing on our flexible distribution model. For example, in 2010, we converted certain company-owned stores in the Asia-Pacific region into wholesale distribution points in order to improve our operational effectiveness and profitability in that market. In particular, this enabled us to incentivize our local distributors to accelerate store development in a manner that would optimize net sales. We will continue to look for ways to improve our capital efficiency in both current and new markets in the future.

One-time charges

Pursuant to an amended and restated letter agreement dated July 8, 2009, Jerome Griffith, our Chief Executive Officer, President and Director, was entitled to receive a one-time special bonus upon the consummation of a qualified sale event or initial public offering that resulted in an enterprise value of our company of $600.0 million or greater. Mr. Griffith received a special bonus payment of $5.5 million (pre-tax) in connection with the IPO. We recorded this compensation expense during the second quarter of 2012, which thereby reduced operating income and net income. In addition, the Company incurred $0.6 and $0.5 million in one-time costs associated with our secondary offerings completed in November 2012 and April 2013, respectively, which included legal and accounting costs and various other fees associated with these offerings.

Pursuant to the Company's agreement with its current web services provider, the Company served an early termination notice to said provider in the second quarter of 2013 and accrued a $1,500,000 (pre-tax) early termination fee pursuant to the terms of this agreement. This amount was paid in December 2013. The original agreement was scheduled to expire on December 31, 2015. The Company intends to transition its web stores to a more efficient and cost effective technology platform during 2014. The Company will continue using its current provider's services until such time.

Key Performance Indicators

Key performance indicators that we use to manage our business and evaluate our financial results and operating performance include adjusted EBITDA and average net sales per square foot. Adjusted EBITDA provides us with a measure of our financial performance that we use to evaluate profitability. In addition, we have historically used adjusted EBITDA in determining our incentive compensation. Average net sales per square foot, which relates to company-owned stores only, provides us with a measure to evaluate our store sales trends and to assess the operational performance of our stores. These measures are supplemented by a number of non-financial operating metrics related to store performance, which provide benchmarks against which to evaluate store efficiencies but are not considered by management to be reliable financial metrics.

Adjusted EBITDA and net income before preferred dividend expense (non-cash) are non-GAAP financial measures. Adjusted EBITDA is defined as net income plus dividend expense on mandatorily redeemable preferred stock and preferred equity interests, interest expense, provision for income taxes, depreciation and amortization, loss on disposal of fixed assets and other specified non-cash charges. Net income before preferred dividend expense (non-cash) is defined as net income plus dividend expense on mandatorily redeemable preferred stock and preferred equity interests. Adjusted EBITDA and net income before preferred dividend expense (non-cash) are not measures of operating income or operating performance presented in accordance with U.S. GAAP.

Adjusted EBITDA and net income before preferred dividend expense (non-cash) are important supplemental measures of our internal reporting, including for our board of directors and management, and are key measures we use to evaluate profitability and operating performance. Historically, our incentive compensation plan has been based on the attainment of certain adjusted EBITDA objectives. Additionally, adjusted EBITDA and net income before preferred dividend expense (non-cash), when viewed in conjunction with our consolidated financial statements, provide investors and other users of our financial information consistency and comparability with our past financial performance, facilitate period-to-period comparisons of operating performance and facilitate comparisons with other companies. We use these metrics in conjunction with U.S. GAAP operating performance measures as part of our overall assessment of our performance. U.S. GAAP measures of performance remain our primary means of assessing our overall financial results.

Undue reliance should not be placed on these measures as our only measures of operating performance. Adjusted EBITDA and net income before preferred dividend expense (non-cash) have limitations as analytical tools. When assessing our operating performance, investors should not consider adjusted EBITDA and net income before preferred dividend expense (non-cash) in isolation or as substitutes for net income.

Adjusted EBITDA increased by approximately $17.2 million, or 20%, to $102.1 million for the year ended December 31, 2013 from $84.9 million for the year ended December 31, 2012. This increase was primarily due to higher net sales and gross margin dollars partially offset by an increase in operating expenses, including a non-recurring charge of $1.5 million for the early termination fee paid to our current web service provider and $0.5 million in one-time costs associated with our secondary offering completed in April 2013, which included legal and accounting costs and various other fees associated with this offering.

Adjusted EBITDA increased by approximately $12.7 million, or 18%, to $84.9 million in 2012 from $72.2 million in 2011. This increase was primarily due to higher net sales and gross margin dollars partially offset by an increase in operating expenses, including a non-recurring charge of $5.5 million for the one-time special bonus paid to our CEO in connection with the successful completion of the IPO and $0.6 million in one-time costs associated with our secondary offering completed in November 2012, which included legal and accounting costs and various other fees associated with this offering.

A reconciliation of net income to net income before preferred dividend expense (non-cash) and adjusted EBITDA is presented below:

	For the years ended December 31,		
	2013	2012	2011
	(In thousands)		
Net income	$ 54,559	$36,783	$16,592
Dividend expense on mandatorily redeemable preferred stock and preferred equity interests	—	7,892	22,857
Net income before preferred dividend expense (non-cash)(1)	54,559	44,675	39,449
Interest expense	733	1,392	2,423
Provision for income taxes	31,549	26,721	19,354
Depreciation and amortization	14,187	11,504	10,089
Loss on disposal of fixed assets	261	422	10
Other	858	194	868
Adjusted EBITDA	$102,147	$84,908	$72,193

(1) Excluding the non-recurring early termination fee of $1.5 million, or $0.9 million net of tax effect, and one-time costs of $0.5 million, or $0.3 million net of tax effect, in one-time costs associated with our secondary offering completed in April 2013, net income before preferred dividend expense (non-cash) would have been $55.8 million for the year ended December 31, 2013. Excluding the one-time special bonus of $5.5 million, or $3.1 million net of tax effect, paid to our CEO, and $0.6 million, or $0.4 million net of tax effect, in one-time costs associated with our secondary offering completed in November 2012, net income before preferred dividend expense (non-cash) would have been $48.2 million for the year ended December 31, 2012.

Average net sales per square foot increased by approximately $37, or 4%, to $1,088 for the year ended December 31, 2013 from $1,051 for the year ended December 31, 2012. This increase was primarily due to stable traffic patterns and positive consumer acceptance of our lighter weight products.

Average net sales per square foot increased by approximately $79, or 8%, to $1,051 for the year ended December 31, 2012 from $972 for the year ended December 31, 2011. This increase was primarily due to higher store traffic and new product introductions, as well as improved store efficiency.

Our Operating Segments

We evaluate operating performance based on net sales and operating income in four operating segments.

Direct-to-Consumer North America

As of December 31, 2013, we sold our products directly to consumers through a network of 114 company-owned retail stores consisting of full-price stores and outlet stores strategically positioned in high-end retail malls or street venues. We also sell our products directly to consumers through our e-commerce website.

Direct-to-Consumer International

As of December 31, 2013, we sold directly to consumers through a network of 16 company-owned full-price and outlet stores in high-end street venues and select malls in international locations. We also sell our products directly to consumers through our two international e-commerce websites.

Indirect-to-Consumer North America

As of December 31, 2013, we sold to wholesale customers in North America through approximately 800 doors, including specialty luggage retailers, prestige department stores and business-to-business channels. Many of our wholesale customers also operate their own e-commerce websites through which they sell our products. Our products are also sold in partner stores, operated by local distributors or retailers, that carry only Tumi products and are governed by strict operating guidelines that we dictate.

Indirect-to-Consumer International

As of December 31, 2013, we sold our products to international wholesale customers through approximately 1,000 doors, approximately 55% of which are in the EMEA region, 40% of which are in the Asia-Pacific region, and 5% of which are in Central and South America. We have distribution channels in Australia, China, Europe, Hong Kong, the Middle East, South Africa, South Korea, Southeast Asia and Taiwan, among others. Our products are also sold in partner stores, operated by local distributors or retailers, that carry only Tumi products and are governed by strict operating guidelines that we dictate. We also operate concessions in department stores throughout Europe and the Middle East. Many of our wholesale customers also operate their own e-commerce websites through which they sell our products.

Certain corporate expenses are not specifically allocated to individual operating segments, such as product design and development, certain general and administrative, certain marketing, shipping, warehouse and other expenses.

For an explanation of the financial statement components discussed in this section, see "—Financial Statement Components" and Note 1 to our audited consolidated financial statements.

Results of Operations

The following table sets forth consolidated operating results and other operating data for the periods indicated.

Operating results

	For the years ended December 31,		
	2013	2012	2011
		(In thousands)	
Net sales	$467,438	$398,551	$329,968
Cost of sales	198,593	170,092	140,954
Gross margin	268,845	228,459	189,014
Operating expenses			
Selling	28,875	24,929	21,957
Marketing	17,373	13,713	13,377
Retail operations	98,720	81,379	67,465
General and administrative	37,514	36,762	25,782
Total operating expenses	182,482	156,783	128,581
Operating income	86,363	71,676	60,433
Other income (expenses)			
Interest expense	(733)	(1,392)	(2,423)
Dividend expense on mandatorily redeemable preferred stock and preferred equity interests	—	(7,892)	(22,857)
Earnings from joint venture investment	184	845	587
Foreign exchange gains (losses)	388	(287)	(61)
Other non-operating income (expenses)	(94)	554	267
Total other expenses	(255)	(8,172)	(24,487)
Income before income taxes	86,108	63,504	35,946
Provision for income taxes	31,549	26,721	19,354
Net income	$ 54,559	$ 36,783	$ 16,592

Percentage of net sales

	For the years ended December 31,		
	2013	2012	2011
Net sales	100%	100%	100%
Cost of sales	42%	43%	43%
Gross margin	58%	57%	57%
Operating expenses			
Selling	6%	6%	7%
Marketing	4%	3%	4%
Retail operations	21%	21%	20%
General and administrative	8%	9%	8%
Total operating expenses	39%	39%	39%
Operating income	18%	18%	18%
Other income (expenses)			
Interest expense	—%	—%	(1)%
Dividend expense on mandatorily redeemable preferred stock and preferred equity interests	—%	(2)%	(7)%
Earnings from joint venture investment	—%	—%	—%
Foreign exchange gains (losses)	—%	—%	—%
Other non-operating income (expenses)	—%	—%	—%
Total other expenses	—%	(2)%	(8)%
Income before income taxes	18%	16%	10%
Provision for income taxes	7%	7%	6%
Net income	12%	9%	4%

* The percentages in the above table may not foot due to rounding.

The following table summarizes the number of company-owned stores open at the beginning and the end of the periods indicated:

	For the years ended December 31,		
	2013	2012	2011
Number of stores open at beginning of period	114	97	86
Stores opened	17	19	11
Stores closed	(1)	(2)	—
Number of stores open at end of period	130	114	97

Year ended December 31, 2013 compared with the year ended December 31, 2012

Net sales

The following table presents net sales by operating segment for the year ended December 31, 2013 compared with the year ended December 31, 2012.

	2013	2012	% Change
	(dollars in thousands)		
Direct-to-Consumer North America	$209,214	$180,291	16%
Direct-to-Consumer International	22,408	17,879	25%
Indirect-to-Consumer North America	104,345	95,934	9%
Indirect-to-Consumer International	131,471	104,447	26%
Total	$467,438	$398,551	17%

Net sales increased $68.9 million, or 17%, to $467.4 million in 2013 from $398.6 million in 2012. Net sales have increased across all of our operating segments for the year ended December 31, 2013 as compared with the year ended December 31, 2012. Sales have increased due principally to an increase in volume resulting from new store openings, positive overall comparable store sales from existing stores, continued wholesale expansion outside the United States, continued growth in both Direct-to-Consumer and Indirect-to-Consumer e-commerce and continued consumer acceptance of our lighter weight products. There were 17 new company-owned store openings during 2013 (offset by 1 store closing). Overall, store traffic patterns have remained stable during 2013. There were no material price increases during the period. We have continued to grow our own e-commerce websites and our wholesale customers' e-commerce websites also have shown positive results. Additionally, during 2013, there were new colors of Tegra-Lite introduced, a successful designer collaboration on a women's collection with Anna Sui, and the introduction of Ticon, a collection designed to protect against identity theft. In the women's line, both the Carlyle and Voyager collections also introduced seasonal colors to which consumers appear to be responding positively. While the net effect of these new colors (net of cannibalization) were not material, these seem to have been met with consumer enthusiasm. New stores opened during the year contributed approximately 12% of the overall sales growth from the year ended December 31, 2012 to the year ended December 31, 2013.

Net sales attributable to the Direct-to-Consumer North America segment experienced a 16% increase for the year ended December 31, 2013 as compared with the year ended December 31, 2012. North America full-price comparable store sales increased less than 1%, North America outlet comparable store sales increased 11% and our North America e-commerce sales increased 20%. Overall, including our e-commerce website, North America comparable store sales increased 6% for the period. Additionally, of the new stores opened during 2013, 16 were in the North America segment and contributed to approximately 26% of the net sales growth in the Direct-to-Consumer North America segment from the year ended December 31, 2012 to the year ended December 31, 2013.

Net sales attributable to the Direct-to-Consumer International segment experienced a 25% increase for the year ended December 31, 2013 as compared with the year ended December 31, 2012, with international full-price comparable store sales up 9% (6% in Euros) and international outlet comparable store sales up 30% (25% in Euros). Our international e-commerce sales were up 14% (10% in Euros). Overall, including our e-commerce websites, our international comparable store sales were up 16% (13% in Euros) for the period. Improvement in store traffic patterns and macroeconomic conditions in the EMEA region helped contribute to this increase. Additionally, of the new stores opened during 2013, one was in Western Europe and contributed to approximately 12% of the Direct-to-Consumer International net sales growth from the year ended December 31, 2012 to the year ended December 31, 2013.

Overall, including e-commerce, comparable store sales for all Direct-to-Consumer channels increased 7% globally for the year ended December 31, 2013 as compared with the year ended December 31, 2012.

Net sales attributable to the Indirect-to-Consumer North America segment increased 9% and net sales attributable to the Indirect-to-Consumer International segment increased 26% for the year ended December 31, 2013 as compared with the year ended December 31, 2012. The Indirect-to-Consumer North America net sales have been favorably impacted by strong sales through our wholesale customers' e-commerce websites as well as the aforementioned enthusiasm around our lightweight products and additions to our collections. This was partially offset by our decision to limit our special markets business in an effort to limit the incidences of product diversion and trans-shipping abuses that have become a more common occurrence in Asia, particularly in Japan and Korea, where the Tumi brand is becoming increasingly popular. Certain special markets customers have been a source of unauthorized product diversion in the past. Our Indirect-to-Consumer International net sales have been favorably impacted by strong performance in Asia related to the opening of new wholesale points of distribution and in the EMEA region, aided by positive reaction to our lightweight collections.

Operating income

The following table presents operating income (loss) by operating segment for the year ended December 31, 2013 compared with the year ended December 31, 2012.

	2013	2012	% Change
	(dollars in thousands)		
Direct-to-Consumer North America	$ 62,485	$ 57,208	9%
Direct-to-Consumer International	2,941	964	205%
Indirect-to-Consumer North America	39,530	36,328	9%
Indirect-to-Consumer International	40,936	30,368	35%
Non-allocated corporate expenses	(59,529)	(53,192)	(12)%
Total	$ 86,363	$ 71,676	20%

Operating income increased $14.7 million, or 20%, to $86.4 million in 2013 from $71.7 million in 2012. This improvement was a result of higher revenues and improved gross margin dollars partially offset by higher operating expenses. All operating segments improved as compared with the comparable prior year period. Our operating segments have benefited from store openings in the Direct-to-Consumer segments, distribution expansion in the Indirect-to-Consumer International segment, and wholesale e-commerce growth in the Indirect-to-Consumer North America segment. Operating expenses have increased principally due to higher retail operations expenses related to the cost of new store openings in 2013 and the wrap effect of stores opened in 2012. Additionally, during the year ended December 31, 2013, we incurred $0.5 million of offering costs associated with the secondary offering completed in April 2013 and a $1.5 million termination fee associated with a change in our website e-services provider in order to move to an insourced model. During the year ended December 31, 2012, we incurred a $5.5 million one-time special bonus paid to the CEO in connection with the successful completion of the IPO, and $0.6 million of offering costs associated with the secondary offering completed in November 2012 (see Note 1 of our audited consolidated financial statements for further information regarding our IPO and secondary offerings). Non-allocated corporate expenses represent expenses and income not attributable to a particular operating segment and include core corporate expenses, such as corporate marketing, design, general and administrative expenses, after sales service costs, shipping and warehousing, human resources related to corporate overhead, finance, legal and professional fees and other costs.

Operating margin remained consistent at 18% for the years ended December 31, 2013 and 2012. However, excluding the aforementioned termination fee and offering costs from the year ended December 31, 2013 and excluding the special cash bonus paid to the CEO and offering costs from the year ended December 31, 2012, operating margin would have decreased from 20% for the year ended December 31, 2012 to 19% for the year ended December 31, 2013. In late 2013 we began preparing for the re-launch of our Alpha Travel Collection in the first quarter of 2014 through an after-Christmas holiday promotion. This transition had a marginally negative effect on our 2013 operating margin.

Other income and expense

Total other expenses decreased $7.9 million, or 97%, to $0.3 million in 2013 from $8.2 million in 2012. The overall decrease in other expenses was attributable to a reduction of dividend expense due to the repurchase of all of our mandatorily redeemable preferred stock and preferred equity interests in connection with our IPO in the second quarter of 2012. Excluding this one item, total other expenses remained consistent at $0.3 million.

Income tax expense

Provision for income taxes increased $4.8 million, or 18%, to $31.5 million in 2013 from $26.7 million in 2012, due principally to higher income before taxes, partially offset by a $0.4 million reversal of an unrecognized tax benefit. The effective tax rate was favorably impacted by the reduction of non-deductible dividend expense due to the repurchase of all of our mandatorily redeemable preferred stock and preferred equity interests in connection with our IPO in the second quarter of 2012.

Net income

Net income increased $17.8 million, or 48%, to $54.6 million in 2013 from $36.8 million in 2012. The increase in net income was due mainly to the increase in net sales and gross margin dollars as well as the aforementioned reduction in dividend expense on mandatorily redeemable preferred stock and preferred equity interests.

Basic and diluted weighted average shares outstanding for the years ended December 31, 2013 and 2012 were 67.9 million shares and 63.3 million, respectively. Basic and diluted EPS was $0.80 per common share for the year ended December 31, 2013 versus $0.58 per common share for the year ended December 31, 2012.

Net income before dividend expense on mandatorily redeemable preferred stock and preferred equity interests was $54.6 million and $44.7 million for the years ended December 31, 2013 and 2012, respectively. Basic and diluted EPS before dividend expense on mandatorily redeemable preferred stock and preferred equity interests was $0.80 per common share and $0.71 per common share for the years ended December 31, 2013 and 2012, respectively.

In addition, adjusting for dividend expense and the aforementioned one-time expenses in both periods ($1.5 million termination fee, or $0.9 million after tax, and $0.5 million offering costs, or $0.3 million after tax, for the year ended December 31, 2013 and $5.5 million special cash bonus paid to the CEO, or $3.1 million after tax, and $0.6 million offering costs, or $0.4 after tax, for the year ended December 31, 2012) net income in 2013 would have increased approximately $7.6 million, or 16%, to $55.8 million from $48.2 million in 2012. Basic and diluted EPS before dividend expense on mandatorily redeemable preferred stock and preferred equity interests adjusted for the aforementioned one-time costs in both periods would have been $0.82 and $0.76 per common share for the years ended December 31, 2013 and 2012, respectively.

Year ended December 31, 2012 compared with year ended December 31, 2011

Net sales

The following table presents net sales by operating segment for the year ended December 31, 2012 compared with the year ended December 31, 2011.

	2012	2011	% Change
	(dollars in thousands)		
Direct-to-Consumer North America	$180,291	$143,809	25%
Direct-to-Consumer International	17,879	16,198	10%
Indirect-to-Consumer North America	95,934	79,036	21%
Indirect-to-Consumer International	104,447	90,925	15%
Total	$398,551	$329,968	21%

Net sales increased $68.6 million, or 21%, to $398.6 million in 2012 from $330.0 million in 2011. Net sales have increased across all of our operating segments for the year ended December 31, 2012 as compared with the year ended December 31, 2011, as store traffic patterns have remained strong, we have continued to open new wholesale doors and customers have responded positively to new product introductions. Additionally, there were 19 new company-owned store openings during 2012 (offset by 2 store closings), 17 of which are in North America. We have continued to grow our own e-commerce websites and our wholesale customers' e-commerce websites have shown positive results.

Net sales attributable to the Direct-to-Consumer North America segment experienced a 25% increase for the year ended December 31, 2012 as compared with the year ended December 31, 2011. North America full-price comparable store sales increased 7%, North America outlet comparable store sales increased 15% and our North America e-commerce sales increased 34%. Overall, including our e-commerce website, North America comparable store sales increased 13% for the year.

Net sales attributable to the Direct-to-Consumer International segment experienced a 10% increase for the year ended December 31, 2012 as compared with the year ended December 31, 2011, with comparable store sales, excluding e-commerce, up 7% (15% in Euros). Our international e-commerce websites were up 44% (56% in Euros). Overall, including our e-commerce websites, our international comparable store sales were up 10% (19% in Euros) for the period. During the first fiscal quarter of 2012, we replaced European retail store management and we have seen this change in leadership have a positive impact on this segment.

Overall, including e-commerce, comparable store sales increased 12% globally for the year ended December 31, 2012 as compared with the year ended December 31, 2011.

Net sales attributable to the Indirect-to-Consumer North America segment increased 21% and net sales attributable to the Indirect-to-Consumer International segment increased 15% for the period. The Indirect-to-Consumer North America net sales have been favorably impacted by strong sales through our special markets channel and wholesale customers' e-commerce websites as well as the aforementioned positive response to new product introductions. Our Indirect-to-Consumer International net sales have been favorably impacted by strong performance in the Asia and EMEA regions and aided by positive reaction to new product introductions.

Operating income

The following table presents operating income by operating segment for the year ended December 31, 2012 compared with the year ended December 31, 2011.

	2012	2011	% Change
	(dollars in thousands)		
Direct-to-Consumer North America	$ 57,208	$ 44,650	28%
Direct-to-Consumer International	964	973	(1)%
Indirect-to-Consumer North America	36,328	29,195	24%
Indirect-to-Consumer International	30,368	26,037	17%
Non-allocated corporate expenses	(53,192)	(40,422)	(32)%
Total	$ 71,676	$ 60,433	19%

Operating income increased $11.3 million, or 19%, to $71.7 million in 2012 from $60.4 million in 2011. Included in non-allocated corporate expenses for the year ended December 31, 2012 is a pre-tax charge of $5.5 million related to the one-time special bonus paid to the CEO in connection with the successful completion of the IPO (see Note 1 of our audited consolidated financial statements for further information regarding our IPO). Excluding this non-recurring pre-tax charge, operating income improved 28% for the period. This improvement was a result of higher revenues and improved gross margins partially offset by higher operating expenses. All operating segments, with the exception of Direct-to-Consumer International, improved as compared with the comparable prior year period. Our operating segments have benefited from positive reaction to new product introductions, new store openings in the Direct-to-Consumer segments, and continued strong Indirect-to-Consumer net sales growth in the Asia-Pacific and EMEA regions. Operating expenses have increased principally due to higher retail operations expenses related to the cost of new store openings, the aforementioned non-recurring charge of $5.5 million for the one-time special bonus paid to the CEO, and $0.6 million in one-time costs associated with our secondary offering completed in November 2012. Operating margin remained consistent at 18%; however, excluding the aforementioned special bonus paid to the CEO, operating margin increased from 18% for the year ended December 31, 2011 to 19% for the year ended December 31, 2012. Non-allocated corporate expenses represent expenses and income not attributable to a particular operating segment and include core corporate expenses, such as corporate marketing, design, general and administrative expenses, after sales service costs, shipping and warehousing, human resources related to corporate overhead, finance, legal and professional fees and other costs.

Other income and expenses

Total other expenses decreased $16.3 million, or 67%, to $8.2 million in 2012 from $24.5 million in 2011. Total other expenses includes dividend expense on mandatorily redeemable preferred stock and preferred equity interests, a non-cash charge. This decrease was due mainly to the reduction in dividend expense on mandatorily redeemable preferred stock and preferred equity interests due to their repurchase in connection with our April 2012 IPO. Excluding this one item, total other expenses decreased $1.3 million, or 81%, to approximately $0.3 million in 2012 from $1.6 million in 2011. These decreases were attributable primarily to a reduction in interest expense from more favorable terms in our amended and restated credit facility entered into on April 4, 2012 in connection with the IPO.

Income tax expense

Provision for income taxes increased $7.3 million to $26.7 million in 2012 from $19.4 million in 2011 due principally to higher income before taxes. The effective tax rate was favorably impacted by the reduction of dividend expense due to the repurchase of all of our mandatorily redeemable preferred stock and preferred equity interests in connection with our IPO in the second quarter of 2012.

Net income

Net income increased $20.2 million, or 122%, to net income of $36.8 million in 2012 from net income of $16.6 million in 2011. The increase in net income was due mainly to the increase in net sales and gross margin dollars as well as the reduction in dividend expense on mandatorily redeemable preferred stock and preferred equity interests due to their repurchase in connection with our April 2012 IPO.

Basic and diluted weighted average shares outstanding for the years ended December 31, 2012 and 2011 were 63.3 million and 52.5 million shares, respectively. Basic and diluted earnings per share was $0.58 per share for the year ended December 31, 2012 versus $0.32 per share for the year ended December 31, 2011.

Net income before preferred dividend expense (non-cash) increased $5.3 million, or 13%, to $44.7 million in 2012 from $39.4 million in 2011. Basic and diluted earnings per share before dividend expense on mandatorily redeemable preferred stock and preferred equity interests was $0.71 per share and $0.75 per share for the years ended December 31, 2012 and 2011, respectively.

Seasonality

Our business is seasonal in nature and as a result, our net sales and working capital requirements fluctuate from quarter to quarter. Our fourth quarter is a significant period for our results of operations due to increased Direct-to-Consumer sales during the holiday season in North America and Europe. We expect inventory levels, along with an increase in accounts payable and accrued expenses, to reach their highest levels in anticipation of the increased net sales during this period. In 2013 and 2012, fourth quarter net sales represented approximately 32% of our total annual net sales. Operating income in the same periods represented approximately 37% and 41% of our total annual operating income, respectively.

Liquidity and Capital Resources

Historically, our primary source of liquidity has been cash flows from operations. Our long-term credit facility has not historically been used to finance our capital requirements, but instead represents remaining refinanced acquisition indebtedness originally incurred when Doughty Hanson and certain members of management at that time acquired the Company in 2004. We have from time to time drawn down on our revolving line of credit as short-term liquidity needs arise. We use our cash flows from operations to fund our store development activities.

Inflationary factors such as increases in the cost of sales, including raw materials costs and transportation costs, may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain our gross margin levels and our current levels of selling expenses and general and administrative expenses as a percentage of net sales if the sale prices of our products do not increase with any increase in cost of sales.

We believe we have sufficient working capital and liquidity to support our operations for at least the next twelve months.

Cash and cash equivalents

At December 31, 2013, 2012 and 2011, we had cash and cash equivalents of $37.6 million, $36.7 million and $32.7 million, respectively. A summary of our cash flows provided by and used in operating, investing and financing activities is presented below.

Cash flows from operating activities

Cash flows from operating activities consisted primarily of net income adjusted for certain non-cash items, including depreciation and amortization, share-based compensation expense, dividend expense on mandatorily redeemable preferred stock and preferred equity interests and other non-cash charges. Our cash flows from operations are largely dependent on sales to consumers and wholesale customers, which are in turn dependent on consumer confidence, store traffic, conversion, business travel and general economic conditions. We believe we have the ability to conserve liquidity when economic conditions become less favorable through any number of strategies including curtailment of store expansion plans and cutting discretionary spending.

We generated cash flows from operations of $62.6 million and $48.0 million during the years ended December 31, 2013 and 2012, respectively. The principal reason for this increase was the improvement in net income.

We generated cash flows from operations of $48.0 million and $40.0 million during the years ended December 31, 2012 and 2011, respectively. This increase was mainly due to higher net income before preferred dividend expense (non-cash) in 2012 compared to 2011.

Investing activities

Cash flows used for investing activities consisted of capital expenditures for store expansion plans, store renovations, store openings, information technology infrastructure, distribution infrastructure and product tooling costs.

Cash used for capital expenditures was $24.8 million and $20.9 million for the years ended December 31, 2013 and 2012, respectively. The increase was due principally to the investment in a new point of sale system, store openings, and the completion of our warehouse expansion project.

Cash used for capital expenditures was $20.9 million and $14.5 million for the years ended December 31, 2012 and 2011, respectively. The increase was due principally to additional store openings during 2012.

Financing activities

Cash flows used for financing activities was $37.0 million and $23.2 million for the years ended December 31, 2013 and 2012, respectively. The increase was mainly attributable to the pay down of the revolving credit facility during 2013.

Cash flows used for financing activities was $23.2 million and $11.9 million for the years ended December 31, 2012 and 2011, respectively. The increase was mainly attributable to additional repayments of bank debt and transaction costs related to the IPO.

Amended and restated credit facility

In connection with the IPO, on April 4, 2012, Tumi, Inc. and Tumi Stores, Inc. (the "Borrowers") entered into an amended and restated credit facility (the "Amended Credit Facility"), with Wells Fargo Bank National Association ("Wells Fargo") as lender and collateral agent.

On April 4, 2012, we had $60,000,000 outstanding on our then-current term loan facility and no balance outstanding on our revolving credit facility for which the total capacity was $10,000,000. We had, however, utilized $250,000 under the revolving facility for letters of credit. Based on our calculated leverage ratio at the time, the facility bore interest at either the market LIBOR rate plus 175 basis points or the prime rate plus 75 basis points.

The Amended Credit Facility consolidated the term loan facility and the revolving credit facility previously provided in our former debt facility with Wells Fargo into a single $70,000,000 senior secured revolving credit facility, with Wells Fargo as the sole lender, and extended the maturity of the facility until April 4, 2017. The Amended Credit Facility included a letter of credit sublimit not to exceed the undrawn amount of the revolving commitments.

On August 29, 2013, the Amended Credit Facility was amended to reduce the letter of credit sublimit to $5,000,000.

Borrowings under the Amended Credit Facility bear interest at a per annum rate equal to, at the Borrowers' option, the one, two, three or six month (or such other period as Wells Fargo may agree) LIBOR rate plus a margin of 1.00% or 1.25%, or a base rate (the greater of (i) Wells Fargo's prime rate in effect on such day and (ii) the federal funds rate plus 1/2 of 1.00%) plus a margin of zero or 0.25%. The Borrowers are required to pay an undrawn commitment fee equal to 0.15% or 0.20% of the undrawn portion of the commitments under the Amended Credit Facility, as well as customary letter of credit fees. The margin added to the LIBOR, or base rate, as well as the amount of the commitment fee, depends on our leverage at the time. Interest is payable monthly, bi-monthly or quarterly on LIBOR rate loans depending on the interest period for each LIBOR rate loan, or quarterly on base rate loans.

As of December 31, 2013 and 2012, we had $8,000,000 and $45,000,000 outstanding under the Amended Credit Facility, respectively. As of December 31, 2013 and 2012, the facility bore interest at the market LIBOR rate of 0.17% and 0.22%, respectively, plus 100 basis points. Letters of credit outstanding at December 31, 2013 and 2012 totaled $286,000 under the facility and, accordingly, the unused portion of the facility was $61,714,000 and $24,714,000, respectively. The fee for the unused portion of the facility was $70,000 and $18,000 for the years ended December 31, 2013 and 2012, respectively.

All obligations under the Amended Credit Facility are required to be guaranteed by each of the Borrowers' material domestic subsidiaries, subject to certain exclusions. The obligations under the Amended Credit Facility are secured by substantially all of the Borrowers' assets and, if applicable, those of the Borrowers' subsidiary guarantors. Currently the Borrowers do not have any subsidiary guarantors.

The Amended Credit Facility contains customary covenants, including, but not limited to, limitations on the ability of the Borrowers and their subsidiaries to incur additional debt and liens, dispose of assets, and make certain investments and restricted payments, including the prepayment of certain debt and cash dividends. In addition, the Amended Credit Facility contains financial covenants requiring that the Borrowers maintain (a) a minimum ratio of consolidated adjusted EBITDA to consolidated cash interest expense (as such terms are defined in the Amended Credit Facility) of not less than 4.00 to 1.00 and (b) a maximum ratio of consolidated total debt to consolidated adjusted EBITDA of no greater than 2.25 to 1.00. The Borrowers were in compliance in all material respects with all such covenants as of December 31, 2013.

The Amended Credit Facility also contains customary events of default, including, but not limited to, payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults under material debt, certain events of bankruptcy and insolvency, defaults based on certain judgments, failure of any material provision of any loan document to be in full force and effect, change of control, and certain ERISA defaults. If an event of default were to occur and continue, amounts due under the Amended Credit Facility would be accelerated and the commitments to extend credit thereunder terminated, and the rights and remedies of Wells Fargo under the Amended Credit Facility available under the applicable loan documents could be exercised, including rights with respect to the collateral securing the obligations under the Amended Credit Facility.

The foregoing summaries of certain provisions of the Amended Credit Facility do not purport to be complete and are qualified in their entirety by reference to the full text of the Amended Credit Facility.

Contractual Obligations

The following table represents our obligations and commitments to make future payments under contracts, such as lease agreements and debt obligations, and under contingent commitments as of December 31, 2013:

	Payments due by period				
	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
			(in millions)		
Minimum lease payments[1]	$24.5	$43.5	$37.5	$70.4	$175.9
Revolving credit facility[2]	—	—	8.0	—	8.0
Interest payments on credit facility[3]	0.1	0.2	—	—	0.3
Total	$24.6	$43.7	$45.5	$70.4	$184.2

(1) Our store leases generally have initial lease terms of 10 years and include renewal options upon substantially the same terms and conditions as the original lease. We had no material construction commitments for leasehold improvements at December 31, 2013, 2012 and 2011, respectively.

(2) In connection with the IPO in April 2012, we amended our former credit facility by entering into the Amended Credit Facility. See "—Liquidity and Capital Resources—Amended and restated credit facility."

(3) Represents estimated future cash interest payments using the weighted average balance and interest rate at December 31, 2013.

Off-Balance Sheet Arrangements

We have not entered into any off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Our discussion and analysis of financial condition and results of operations is based upon our audited consolidated financial statements which have been prepared in accordance with GAAP. The preparation of these financial statements requires estimates and judgments that affect the reported amounts of our assets, liabilities, net sales and operating expenses and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and various other assumptions we believe to be reasonable given the circumstances and we evaluate these estimates on an ongoing basis. Actual results may differ from these estimates under different assumptions or conditions.

We believe that our critical accounting policies and estimates require us to make difficult, subjective or complex judgments about matters that are inherently uncertain. See Note 1 to our audited consolidated financial statements, which are included elsewhere in this report, for a complete discussion of our significant accounting policies. The following reflect the significant estimates and judgments used in the preparation of our consolidated financial statements.

Revenue recognition

Revenue is generated from the sale of our products and is classified as "net sales" in our consolidated statements of operations. We recognize revenue in our Direct-to-Consumer segment when inventory is received by customers and the related title passes. In our Indirect-to-Consumer segments, revenue is recognized when inventory is in possession of our wholesale customers or their appointed carriers, at which point the related title passes. Provisions for discounts, rebates to customers and returns are recorded as a reduction of net sales in the same period as the related sale. Revenue associated with gift cards is recognized upon redemption. Determining our provision for discounts, rebates and returns requires significant judgment based on historical information and estimates of future activity.

Accounts receivable and allowance for doubtful accounts

We determine our allowance for doubtful accounts for accounts receivable by considering a number of factors including the length of time trade receivables are past due, our previous loss history, our customer's current ability to pay its obligation and the condition of the general economy and the industry as a whole. Unanticipated events and circumstances may occur that affect the accuracy or validity of such assumptions, estimates or actual results.

Inventories

Inventories consist primarily of finished goods and are valued at the lower of cost or market. Cost is determined by the first-in, first-out method. Inventory includes material, labor, overhead, freight, and duty and is adjusted for allowances for slow-moving and obsolete inventory. Slow-moving and obsolete inventory is determined through an evaluation of both historical usage and expected future demand.

Income taxes

We utilize the asset and liability method of accounting for income taxes, under which deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. The effect on deferred taxes of a change in tax rates is recognized in net income in the period that includes the enactment date. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

We apply the provisions of the FASB's guidance relating to uncertain tax positions. We utilize the two step process to determine the amount of recognized tax benefit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority.

Goodwill and intangible assets

Goodwill represents the excess of the purchase price over the fair value of net assets acquired, including intangible assets. Indefinite-lived intangible assets consist of brand/trade name. Goodwill and brand/trade name are not being amortized in accordance with the provisions of the FASB's guidance, which requires these assets to be tested for impairment annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Our annual impairment testing date is the first day of our fourth quarter. No impairment was recognized in the years ended December 31, 2013, 2012 and 2011.

The quantitative goodwill impairment test, if necessary, is a two-step process. Under the first of two steps, the Company compares the fair value of a reporting unit to its carrying amount, including goodwill, to identify a potential impairment. If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for such reporting unit and the enterprise must perform step two of the impairment test to measure the impairment, if any. Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation: the fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill.

The Company uses techniques including discounted expected future cash flows (Level 3 input), or DCF, to test goodwill. Indefinite-lived intangible assets are tested for impairment through an income approach known as the relief from royalty method. A discounted cash flow analysis calculates the fair value by estimating the after-tax cash flows attributable to a reporting unit or asset and then discounting the after-tax cash flows to a present value using a risk-adjusted discount rate. Assumptions used in DCF and the relief from royalty method require the exercise of significant judgment including judgment about appropriate royalty rates, discount rates and terminal values, growth rates and the amount and timing of expected future cash flows. Although the Company believes the historical assumptions and estimates made are reasonable and appropriate, different assumptions and estimates could materially impact its reported financial results.

The Company's reporting units for the purpose of goodwill impairment testing are our reportable business segments: (i) Direct-to-Consumer North America, (ii) Indirect-to-Consumer North America, (iii) Direct-to-Consumer International and (iv) Indirect-to-Consumer International. The reporting units were determined in accordance with the guidance on reportable segments in FASB ASC 280-10-50-1. There is no discrete financial information available to the Company for its operations below our reportable business segments.

Warranties

We provide our customers with a product warranty subsequent to the sale of our products. Our warranty policy provides for one year of worry-free service as well as an additional warranty against manufacturers' defects or flaws in construction for between two and five years, depending on the product line. We recognize estimated costs associated with the limited warranty at the time of sale of our products. The warranty reserve is based on historical experience.

Recently Issued Accounting Pronouncements

In February 2013, the FASB issued ASU No. 2013-02, "Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Comprehensive Income." The new guidance requires an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amounts are required to be reclassified in their entirety to net income. For other amounts that are not required to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference to other disclosures that provide additional detail about those amounts. The new guidance was effective prospectively for fiscal years and interim periods beginning after December 15, 2012, with early adoption permitted. The Company adopted the amended guidance effective January 1, 2013 and it did not have a material effect on its consolidated financial statements.

In July 2013, the FASB issued ASU No. 2013-11, "Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward exists." This amended guidance requires an entity to present an unrecognized tax benefit as a reduction of a deferred tax asset for a net operating loss carry forward, a similar tax loss or a tax credit carry forward. If an applicable deferred tax asset is not available or a company does not expect to use the applicable deferred tax asset, the unrecognized tax benefit should be presented as a liability in the financial statements and should not be combined with an unrelated deferred tax asset. The new guidance is effective prospectively for fiscal years and interim periods beginning after December 15, 2013, with early adoption permitted. The Company does not expect the adoption of this amended guidance to have a significant impact on its consolidated financial statements.

Financial Statement Components

Net sales

Net sales consists of revenue from the sale of products, less returns, discounts and allowances and other offsets to net sales. In our Direct-to-Consumer segments, revenue is recognized when a consumer purchase occurs and the consumer receives the merchandise. In our Indirect-to-Consumer segments, revenue is recognized when inventory is in possession of our wholesale customers or their appointed carriers, at which point the related title passes. Provisions for discounts, rebates to consumers and returns are recorded as a reduction of net sales in the same period as the related sale. Revenue associated with gift cards is recognized upon redemption. Revenue from gift cards and the amount of revenue recognized for gift cards not redeemed ("breakage") is immaterial to our results of operations. Amounts billed to customers for delivery costs are classified as a component of net sales, and any other related delivery costs are classified as a component of cost of sales. Sales and value added tax collected from consumers and remitted to governmental authorities are accounted for on a net basis and are excluded from net sales on our consolidated results of operations.

Comparable store sales are calculated based on our company-owned stores that have been open for at least a full calendar year as of the end of our annual reporting period. For example, a store opened in October 2012 will not impact the comparable store comparison until January 1, 2014. There may be variations in the way in which some of our competitors and other retailers calculate comparable or "same store" sales. As a result, data in this Annual Report on Form 10-K regarding our comparable store sales may not be comparable with similar data made available by other companies.

Cost of sales

Cost of sales includes the cost of finished goods purchased from our suppliers plus the cost of freight to deliver the product to our distribution centers, packaging and related duties and applicable overhead incurred to bring the merchandise to its condition for sale. Gross margin is defined as net sales less the cost of sales.

Operating expenses

Operating expenses consist of selling, marketing, retail operations and general and administrative expenses.

Selling. Selling expenses consist of wholesale-related salaries, benefits, commissions, incentive programs, concession fees, travel and entertainment, meetings and seminars and other selling costs and expenses, in each case related to our global wholesale business.

Marketing. Marketing expenses consist of in-store and consumer advertising, marketing-related salaries and benefits, travel and entertainment, lease-required advertising, consumer catalogs, market research and other consulting costs and expenses related to marketing.

Retail operations. Retail operations expenses include occupancy and staffing costs associated with our company-owned stores, store depreciation expense, operator fees for our e-commerce websites, depreciation on point-of-sale fixtures, travel and entertainment, meetings and seminars, insurance and other related administrative costs and expenses.

General and administrative. General and administrative expenses consist of product development costs related to tools, dies, design and travel; shipping and distribution costs; costs associated with running our global distribution network such as occupancy and employment expenses; costs associated with warranty and after-sales service such as employee and repair-related expenses and warranty claims; employee-related costs associated with our executive, finance, information technology and human resource functions; costs associated with our corporate headquarters and product showrooms; and legal, tax and accounting fees.

Operating income

Operating income consists of gross margin less operating expenses, and excludes other income and expenses (i.e., non-operating income and expenses).

Other income (expenses)

Interest expense. Interest expense consists of interest payments made pursuant to our amended and restated credit facility and our former credit and guaranty agreement with, among others, Wells Fargo, as well as amortization of deferred financing costs, net of minimal interest income.

Dividend expense on mandatorily redeemable preferred stock and preferred equity interests. Dividend expense on mandatorily redeemable preferred stock and preferred equity interests consists solely of non-cash accrued preferred dividends on our mandatorily redeemable preferred stock and preferred equity interests. These amounts had not been paid but were due upon redemption.

Earnings (losses) from joint venture investment. Earnings (losses) from joint venture investment relate exclusively to Tumi Japan, a joint venture (corporation) in which we hold a 50% interest and which sells Tumi products in 12 retail stores and to various high-end wholesale customers in Japan.

Foreign exchange gains (losses). Foreign currency exposures arise in our branch offices and subsidiaries in Europe where transactions are denominated in a currency other than the U.S. dollar. Gains and losses such as those resulting from the settlement of receivables and payables denominated in foreign currency are included in the earnings of the current period in "foreign exchange gains (losses)." We are also exposed to foreign currency exchange rate fluctuations with respect to our European operations as a result of its U.S. dollar-denominated historical rate intercompany loan balance. Prior to May 2007, we did not plan or anticipate the settlement of certain intercompany foreign currency transactions and had considered the transactions to be of a long-term investment nature. Because of refinements in our cash management strategies, we now anticipate settlement of certain amounts in the foreseeable future. Gains and losses on transactions that arise after May 2007, to the extent they are considered current, are included in the determination of net income under foreign exchange gains (losses). We believe that exposure to adverse changes in exchange rates associated with revenues and expenses of our foreign branch offices and subsidiaries are immaterial to our consolidated financial statements.

Other non-operating income (expenses). Other non-operating income (expenses) includes all other non-operating income and expenses.

Provision for income taxes

We record income tax expenses related to federal, state, local and foreign income.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in foreign currency exchange rates and interest rates. We do not currently hold or issue financial instruments for trading purposes, although we have in the past entered into interest rate hedges for the purposes of limiting our exposure to fluctuations in interest rates.

Foreign currency exchange risk

Although the majority of our international net sales are billed and collected in U.S. dollars, our European sales are billed and collected in Euros, and we are therefore subject to risk associated with exchange rate fluctuations. During 2013, we recorded gains related to the exchange rate fluctuation effect on remittances from our European affiliates and other transactions relating to our international operations of $388,000. We recorded a $287,000 loss and a $61,000 loss in 2012 and 2011, respectively, related to the exchange rate fluctuation effect on those remittances. Because a portion of our net sales (approximately 10% in each of 2013, 2012 and 2011) are denominated in Euros, exchange rate fluctuations can have an impact on our reported net sales. For example, if the U.S. dollar strengthens against the Euro, this could have a negative effect on our European operating results when those results are translated into U.S. dollars. Any hypothetical loss in net sales could be partially or completely offset by lower cost of sales and lower selling expenses and general and administrative expenses that are generated in Euros.

Substantially all of our purchases from our foreign suppliers are denominated in U.S. dollars. A precipitous decline in the value of the U.S. dollar could cause our foreign suppliers to seek price increases on the goods they supply to us. This could impact our gross margin if market conditions prevent us from passing those costs on to consumers. We do not currently use the derivative markets to hedge foreign currency fluctuations but may in the future consider entering into derivative financial instruments to mitigate losses associated with these risks. We do not, and do not intend to, engage in the practice of trading derivative securities for profit.

Interest rate risk

In connection with the IPO, on April 4, 2012, Tumi, Inc. and Tumi Stores, Inc., entered into the Amended Credit Facility, with Wells Fargo as lender and as collateral agent. The Amended Credit Facility consolidated the term loan facility and the revolving credit facility previously provided in our former debt facility into a single $70,000,000 senior secured revolving credit facility. See "—Liquidity and Capital Resources—Amended and restated credit facility."

Amended credit facility. Under the Amended Credit Facility, borrowings bear interest payable quarterly or, in the case of loans subject to the LIBOR rate, monthly, bi-monthly or quarterly depending on the interest period for such loans. Borrowings under the Amended Credit Facility will bear interest at a per annum rate equal to, at our option, the one, two, three or six-month (or such other period as Wells Fargo may agree) LIBOR rate plus a margin of 1.00% or 1.25%, or a base rate plus a margin of zero or 0.25%. The margin added to the LIBOR, or base rate, will depend on our leverage at the time. Accordingly, under the Amended Credit Facility, we continue to be exposed to market risk from changes in the underlying variable interest rates, which affect our cost of borrowings. We will carefully monitor the interest rates on our borrowings under the Amended Credit Facility.

We do not currently have any interest rate hedging activities in place, but we may in the future engage in hedging activities, based on, among other things, market conditions. We do not, and do not intend to, engage in the practice of trading derivative securities for profit. A 10% increase in the applicable interest rate would not have or have had a material effect on interest expense to us under our former credit facility or the Amended Credit Facility.

Inflation

Inflationary factors such as increases in the cost of sales, including raw materials costs and transportation costs, may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain our gross margin levels and our current levels of selling expenses and general and administrative expenses as a percentage of net sales if the sale prices of our products do not increase with any increase in cost of sales.

2. The following is an extract of the management discussion and analysis of the results of Tumi for the year ended December 31, 2014 from the 2014 annual report of Tumi.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with "Selected Consolidated Financial Data" and our audited consolidated financial statements and notes thereto included elsewhere in this report. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from management's expectations. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. We generally identify forward-looking statements by words such as "anticipate," "estimate," "expect," "intend," "project," "plan," "predict," "believe," "seek," "continue," "outlook," "may," "might," "will," "should," "can have," "likely" or the negative version of these words or comparable words. Factors that can cause actual results to differ materially from those reflected in the forward-looking statements include, among others, those discussed in "Risk Factors" and elsewhere in this report. We urge you not to place undue reliance on these forward-looking statements, which reflect management's analysis, judgment, belief or expectation only as of the date hereof. We expressly disclaim any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by applicable securities laws and regulations. Historical results are not necessarily indicative of the results expected for any future period.

Executive Overview

We are a leading, growing, global, premium lifestyle brand whose products offer superior quality, durability and innovative design. We offer a comprehensive line of travel and business products and accessories in multiple categories. We design our products for, and market our products to, sophisticated professionals, frequent travelers and brand-conscious individuals who enjoy the premium status of Tumi products. We sell our products through a network of company-owned full-price stores and outlet stores, partner stores, concessions, shop-in-shops, specialty luggage shops, high-end department stores and e-commerce distribution channels. We have approximately 1,800 points of distribution in over 75 countries, and our global distribution network is enhanced by the use of our three logistics facilities located in the United States, Europe and Asia. We design our products in our U.S. design studios and selectively collaborate with well-known, international, industrial and fashion designers for limited edition product lines. Production is sourced globally through a network of suppliers based in Asia, many of which are longtime suppliers, and the Caribbean.

In April 2012, we completed our IPO, at which time we sold a total of 15,608,221 shares of our common stock and certain of our stockholders sold a total of 5,988,624 shares of common stock (inclusive of 2,816,980 shares of common stock from the full exercise of the option granted to the underwriters to purchase additional shares from certain of the selling stockholders). The initial public offering price of the shares sold in the offering was $18.00 per share. We did not receive any proceeds from the sale of shares by the selling stockholders. The total proceeds to us, net of underwriters' discounts and commissions, were approximately $264.1 million. We used the net proceeds received from the IPO to repurchase all of our preferred stock and preferred equity interests and 277,778 shares of our common stock owned by Doughty Hanson.

Subsequent to our IPO, we completed secondary offerings in November 2012, April 2013 and September 2014. These offerings, however, did not have any effect on the number of shares outstanding, as all shares in such offerings were sold by existing stockholders.

Since 2010, we have expanded our global presence by successfully implementing our growth strategies, which have included opening additional company-owned stores and increasing wholesale points of distribution. Our net sales have grown from $252.8 million in 2010 to $527.2 million in 2014, representing a compound annual growth rate of 20%. This increase in net sales resulted primarily from an increase in the number of our company-owned stores from 84 as of January 1, 2010 to 152 as of December 31, 2014, as well as an increase in average net sales per square foot in company-owned stores from $821 for the year ended December 31, 2010 to $1,082 for the year ended December 31, 2014, and continuous growth in our e-commerce business and international wholesale sales. Our ability to expand our points of distribution and to grow our net sales in existing stores has been driven by increasing demand for our products, as well as growing recognition of the Tumi brand. We have recently increased our focus on our women's line, which we estimate has grown from representing approximately 10% of our net sales in 2010 to approximately 13% of our net sales in 2014, and on increasing our overall online presence, for which net sales grew approximately 31% from 2013 to 2014. Since 2010, Direct-to-Consumer e-commerce net sales per fiscal year have ranged from 12% to 15% of total Direct-to-Consumer net sales.

In recent years, the travel products industry has seen a trend in consumer preferences towards lighter-weight luggage and travel accessories, as well as merchandise that makes mobile computing and communication more convenient. In light of these trends, we have developed products that fulfill those identified needs, such as our Vapor and Tegra-Lite lines. We have also developed a variety of mobile electronic accessories designed for frequent travelers. We estimate that the accessories category represents approximately 14% of our net sales in 2014. Additionally, we have seen an increase in the relative percentage of our net sales derived from our premium product line and updates of our core product line, and a decrease in the relative percentage of our net sales derived from our legacy core product line in recent years.

We believe there is a significant opportunity to continue to expand our store base globally, and we plan to add new company-owned and partner stores in upscale malls and prestige street venues. We opened 25 new company-owned stores in the year ended December 31, 2014. We currently expect to continue to open company-owned stores in the foreseeable future. Most of the locations we have identified for new company-owned stores are for full-price stores, while the remaining locations are for outlet stores. We also believe there are opportunities to open additional stores in airport locations, as well as luxury casinos.

We believe we have the capacity to increase our Indirect-to-Consumer net sales, both in North America and internationally. In particular, we plan to continue to grow in key Asian markets, particularly China. Currently, more than 20% of our net sales in the Asia-Pacific region are to greater China, with Japan and South Korea being the next largest contributors. Additionally, Indirect-to-Consumer net sales in the Asia-Pacific region have more than doubled in the past five years. We also plan to increase the number of wholesale doors in key European markets including Germany, France and the United Kingdom, and to expand wholesale distribution in Central and South America, while also expanding our product portfolio offered in existing wholesale doors. We believe there is also significant opportunity to open additional points of distribution in airport locations in many of these regions. In North America, we expect to grow net sales by increasing our wholesale door presence, expanding our accessories business in department stores, increasing the variety of products available to third party e-commerce providers and increasing penetration of the Canadian market through department stores, specialty stores, e-commerce sales and new distribution partners. Since 2010, Indirect-to-Consumer net sales have increased in EMEA, the Asia-Pacific region, North America and Central and South America.

We generally expect the payback of our investment in a new company-owned store to occur in less than two and a half years. We also believe we can increase our average net sales per square foot by continuing to improve store efficiency. Our new product development efforts help drive store traffic while our retail performance maximization program and associate training efforts contribute to improved store efficiency. We also believe we can continue to increase our net sales by capitalizing on our flexible distribution model. We will continue to look for ways to improve our capital efficiency in both current and new markets in the future.

One-time charges

Pursuant to an amended and restated letter agreement dated July 8, 2009, Jerome Griffith, our Chief Executive Officer, President and Director, was entitled to receive a one-time special bonus upon the consummation of a qualified sale event or initial public offering that resulted in an enterprise value of our company of $600.0 million or greater. Mr. Griffith received a special bonus payment of $5.5 million (pre-tax) in connection with the IPO. We recorded this compensation expense during the second quarter of 2012, which thereby reduced operating income and net income. In addition, the Company incurred $0.6, $0.5 and $0.2 million in one-time costs associated with our secondary offerings completed in November 2012, April 2013, and September 2014 respectively, which included legal and accounting costs and various other fees associated with these offerings.

Pursuant to the Company's agreement with its web services provider, the Company served an early termination notice to said provider in the second quarter of 2013 and accrued a $1,500,000 (pre-tax) early termination fee pursuant to the terms of this agreement. This amount was paid in December 2013. The original agreement was scheduled to expire on December 31, 2015. The Company transitioned its North America web store during the fourth quarter of 2014 and intends to transition its international web stores to a more insourced model during 2015. The Company intends to continue to use the third-party provider's services for its international web stores until such time.

Key Performance Indicators

A key performance indicator that we use to manage our business and evaluate our financial results and operating performance is average net sales per square foot. Average net sales per square foot, which relates to company-owned stores only, provides us with a measure to evaluate our store sales trends and to assess the operational performance of our stores. This measure is supplemented by a number of non-financial operating metrics related to store performance, which provide benchmarks against which to evaluate store efficiencies but are not considered by management to be reliable financial metrics. Undue reliance should not be placed on this measure as our only measure of operating performance.

Average net sales per square foot decreased by approximately $6, or less than 1%, to $1,082 for the year ended December 31, 2014 from $1,088 for the year ended December 31, 2013. This decrease was primarily due to the effect of the relocation of certain highly productive stores and their related exclusion from the square footage base, as well as the addition of certain large but less mature stores to the square footage base during 2014.

Average net sales per square foot increased by approximately $37, or 4%, to $1,088 for the year ended December 31, 2013 from $1,051 for the year ended December 31, 2012. This increase was primarily due to higher store traffic and new product introductions, as well as improved store efficiency.

In previous years, we considered adjusted EBITDA and net income before preferred dividend expense (non-cash) to be key performance indicators that we used to manage our business. Management no longer uses this information to evaluate profitability or operating performance, and therefore, these metrics are not included in this report.

Our Operating Segments

We evaluate operating performance based on net sales and operating income in four operating segments.

Direct-to-Consumer North America

As of December 31, 2014, we sold our products directly to consumers through a network of 133 company-owned retail stores consisting of full-price stores and outlet stores strategically positioned in high-end retail malls or street venues. We also sell our products directly to consumers through our e-commerce website.

Direct-to-Consumer International

As of December 31, 2014, we sold directly to consumers through a network of 19 company-owned full-price and outlet stores in high-end street venues and select malls in international locations. We also sell our products directly to consumers through our two international e-commerce websites.

Indirect-to-Consumer North America

As of December 31, 2014, we sold to wholesale customers in North America through approximately 700 doors, including specialty luggage retailers, prestige department stores and business-to-business channels. Many of our wholesale customers also operate their own e-commerce websites through which they sell our products. Our products are also sold in partner stores, operated by local distributors or retailers, that carry only Tumi products and are governed by strict operating guidelines that we dictate.

Indirect-to-Consumer International

As of December 31, 2014, we sold our products to international wholesale customers through approximately 1,000 doors, approximately 54% of which are in the EMEA region, 41% of which are in the Asia-Pacific region, and 5% of which are in Central and South America. We have distribution channels in Australia, China, Europe, Hong Kong, the Middle East, South Africa, Japan, South Korea, Southeast Asia and Taiwan, among others. Our products are also sold in partner stores, operated by local distributors or retailers, that carry only Tumi products and are governed by strict operating guidelines that we dictate. We also operate concessions in department stores throughout Europe and the Middle East. Many of our wholesale customers also operate their own e-commerce websites through which they sell our products.

Certain corporate expenses are not specifically allocated to individual operating segments, such as product design and development, certain general and administrative, certain marketing, shipping, warehouse and other expenses.

For an explanation of the financial statement components discussed in this section, see "— Financial Statement Components" and Note 1 to our audited consolidated financial statements.

Results of Operations

The following table sets forth consolidated operating results and other operating data for the periods indicated:

Operating results

	For the years ended December 31,		
	2014	2013	2012
		(In thousands)	
Net sales	$527,194	$467,438	$398,551
Cost of sales	221,227	198,593	170,092
Gross margin	305,967	268,845	228,459
Operating expenses			
Selling	36,447	28,875	24,929
Marketing	16,528	17,373	13,713
Retail operations	115,763	98,720	81,379
General and administrative	43,799	37,514	36,762
Total operating expenses	212,537	182,482	156,783
Operating income	93,430	86,363	71,676
Other income (expenses)			
Interest expense	(477)	(733)	(1,392)
Dividend expense on mandatorily redeemable preferred stock and preferred equity interests	—	—	(7,892)
Earnings from joint venture investment	279	184	845
Foreign exchange gains (losses)	475	388	(287)
Other non-operating income (expenses)	132	(94)	554
Total other income (expenses)	409	(255)	(8,172)
Income before income taxes	93,839	86,108	63,504
Provision for income taxes	35,830	31,549	26,721
Net income	$ 58,009	$ 54,559	$ 36,783

Percentage of net sales

	For the years ended December 31,		
	2014	2013	2012
Net sales	100%	100%	100%
Cost of sales	42%	42%	43%
Gross margin	58%	58%	57%
Operating expenses			
Selling	7%	6%	6%
Marketing	3%	4%	3%
Retail operations	22%	21%	21%
General and administrative	8%	8%	9%
Total operating expenses	40%	39%	39%
Operating income	18%	18%	18%
Other income (expenses)			
Interest expense	—%	—%	—%
Dividend expense on mandatorily redeemable preferred stock and preferred equity interests	—%	—%	(2)%
Earnings from joint venture investment	—%	—%	—%
Foreign exchange gains (losses)	—%	—%	—%
Other non-operating income (expenses)	—%	—%	—%
Total other income (expenses)	—%	—%	(2)%
Income before income taxes	18%	18%	16%
Provision for income taxes	7%	7%	7%
Net income	11%	12%	9%

* The percentages in the above table may not foot due to rounding.

The following table summarizes the number of company-owned stores open at the beginning and the end of the periods indicated:

	For the years ended December 31,		
	2014	2013	2012
Number of stores open at beginning of period	130	114	97
Stores opened	25	17	19
Stores closed	(3)	(1)	(2)
Number of stores open at end of period	152	130	114

Year ended December 31, 2014 compared with the year ended December 31, 2013

Net sales

The following table presents net sales by operating segment for the year ended December 31, 2014 compared with the year ended December 31, 2013.

	2014	2013	% Change
	(dollars in thousands)		
Direct-to-Consumer North America	$243,142	$209,214	16%
Direct-to-Consumer International	28,265	22,408	26%
Indirect-to-Consumer North America	111,191	107,303	4%
Indirect-to-Consumer International	144,596	128,513	13%
Total	$527,194	$467,438	13%

Net sales increased $59.8 million, or 13%, to $527.2 million in 2014 from $467.4 million in 2013. Net sales increased across all of our operating segments for the year ended December 31, 2014 as compared with the year ended December 31, 2013. Net sales increased due principally to an increase in volume resulting from new store openings, positive overall comparable store sales from existing stores, increased sales growth from our wholesale customers in the EMEA and Asia-Pacific regions, continued growth in both Direct-to-Consumer and Indirect-to-Consumer e-commerce and continued consumer acceptance of our lighter weight product and new product introductions. During the year ended December 31, 2014, we successfully re-launched our Alpha Travel Collection (Alpha 2), re-launched our Voyageur collection, launched our Tegra-lite Max collection and introduced seasonal colors which continue to receive positive consumer acceptance. Overall, store traffic patterns improved slightly during the year, particularly in outlets. While there were no significant price increases on existing products during the period, we did slightly raise price points on Alpha 2. The effect on net sales was immaterial. As previously disclosed, weaker than expected first quarter wholesale sales in Asia and North America had a moderating effect on these positive factors. We believe that the inclement weather in the first quarter of 2014 in certain North American markets also had a negative effect on sales. Additionally, there were 25 new company-owned store openings, 2 store relocations, 8 store renovations and 3 store closures during the year ended December 31, 2014. New stores opened during the year contributed approximately 18% of the overall sales growth from the year ended December 31, 2013 to the year ended December 31, 2014.

Net sales attributable to the Direct-to-Consumer North America segment experienced a 16% increase for the year ended December 31, 2014 as compared with the year ended December 31, 2013. North America full-price comparable store sales increased 4%, North America outlet comparable store sales increased 8% and our North America e-commerce sales increased 27%. Overall, including our e-commerce website, North America comparable store sales increased 9% for the period. Additionally, of the new stores opened during 2014, 21 were in the North America segment and contributed to approximately 23% of the net sales growth in the Direct-to-Consumer North America segment from the year ended December 31, 2013 to the year ended December 31, 2014.

Net sales attributable to the Direct-to-Consumer International segment experienced a 26% increase for the year ended December 31, 2014 as compared with the year ended December 31, 2013, with international full-price comparable store sales up 5% in US dollars and in Euros and international outlet comparable store sales up 29% in US dollars and in Euros. Our international e-commerce sales were up 31% in US dollars and in Euros. Overall, including our e-commerce websites, our international comparable store sales were up 18% in US dollars and in Euros for the period. Of the new stores opened during 2014, 4 were in Western Europe and contributed to approximately 47% of the Direct-to-Consumer International net sales growth from the year ended December 31, 2013 to the year ended December 31, 2014.

Overall, including e-commerce, comparable store sales for all Direct-to-Consumer channels increased 10% globally for the year ended December 31, 2014 as compared with the year ended December 31, 2013.

Net sales attributable to the Indirect-to-Consumer North America segment increased 4% for the year ended December 31, 2014 as compared with the year ended December 31, 2013. The Indirect-to-Consumer North America net sales have been favorably impacted by strong sales through our wholesale customers' e-commerce websites, as well as the aforementioned enthusiasm around our lightweight products and additions to our collections. This was partially offset by our decision to limit our special markets business in an effort to reduce the incidences of product diversion and trans-shipping abuses that have become a more common occurrence in Asia, particularly in Japan and South Korea, where the Tumi brand is becoming increasingly popular. Certain special markets customers have been a source of unauthorized product diversion in the past. While difficult to assess the financial impact of trans-shipping, we believe that it is damaging to the brand image in these emerging markets. In addition, Indirect-to-Consumer North America net sales were adversely affected by markdowns related to the discontinuation of the T-Tech brand and certain older SKUs in the fourth quarter of 2014, as well as a more promotional marketplace in our department store business during the holiday season. The Company also reduced certain less productive points of distribution as part of a continuing strategy to enhance brand image and presentation.

Net sales attributable to the Indirect-to-Consumer International segment increased 13% for the year ended December 31, 2014 as compared with the year ended December 31, 2013. Our Indirect-to-Consumer International net sales have been favorably impacted by strong performance in the Asia and EMEA regions and increased points of distribution in the Asia region, aided by positive reaction to new product introductions.

Operating income

The following table presents operating income (loss) by operating segment for the year ended December 31, 2014 compared with the year ended December 31, 2013.

	2014	2013	% Change
	(dollars in thousands)		
Direct-to-Consumer North America	$ 69,871	$ 62,485	12%
Direct-to-Consumer International	2,793	2,941	(5)%
Indirect-to-Consumer North America	41,213	40,637	1%
Indirect-to-Consumer International	45,291	39,829	14%
Non-allocated corporate expenses	(65,738)	(59,529)	(10)%
Total	$ 93,430	$ 86,363	8%

Operating income increased $7.1 million, or 8%, to $93.4 million in 2014 from $86.4 million in 2013. Overall, our operating income has benefited from continued volume related growth, store openings in the Direct-to-Consumer segments, strong performance in the Asia and EMEA regions and strong sales through our wholesale customers' e-commerce websites. During 2014, we continued to invest in the Company's logistics capabilities, design resources, product management, IT infrastructure and human resource base.

Operating income attributable to the Direct-to-Consumer North America segment experienced a 12% increase for the year ended December 31, 2014 as compared with the year ended December 31, 2013. This was primarily due to growth in our comparable stores and growth from stores opened during 2013, partially offset by new store expenses as well as renovations in 2014. Historically, company-owned store operating margins generally strengthen after their first year of operation. In addition, we had strong growth in our e-commerce sales, partially offset by the incremental investment of approximately $2.2 million required to support the transition of our web stores to a more insourced model, which we expect to improve functionality and efficiency.

Operating income attributable to the Direct-to-Consumer International segment experienced a 5% decrease for the year ended December 31, 2014 as compared with the year ended December 31,

2013. This decrease was principally related to the pre-opening expenses and start-up costs for our new flagship store on Regent Street in London, as well as our new store in Marseille, France, both of which opened in the second quarter of 2014.

Operating income attributable to the Indirect-to-Consumer North America segment experienced a 1% increase for the year ended December 31, 2014 as compared with the year ended December 31, 2013. This was primarily due to the mix of sales in the channel. Operating margin was positively impacted by strong sales through our wholesale customers' e-commerce websites. Sales in our specialty stores and special markets business were down during the year ended December 31, 2014, both of which are generally strong from a margin perspective.

Operating income attributable to the Indirect-to-Consumer International segment experienced a 14% increase for the year ended December 31, 2014 as compared with the year ended December 31, 2013. This increase was primarily due to an increase in gross margin dollars resulting from strong sales growth during the year, partially offset by additional investment in personnel and infrastructure in Asia of approximately $0.7 million.

Non-allocated corporate expenses increased 10% for the year ended December 31, 2014 as compared with the year ended December 31, 2013. This increase was primarily due to the addition of several designers, creative talent and product management personnel to help support our existing product lines and to aid in the development of our expanded product line. These aforementioned investments resulted in approximately $2.2 million of additional cost in the the year ended December 31, 2014. We have also invested approximately $1.5 million in our legal and finance resources, as well as related outside service fees to help accommodate our growth, and $1.0 million in our after sales service capabilities. In addition, we invested in our logistics capabilities in Western Europe by moving to an expanded warehouse facility to serve our growing business in the EMEA region, while continuing to operate our existing warehouse in transition, which resulted in incremental costs of approximately $0.4 million during the year ended December 31, 2014.

Operating margin remained consistent at 18% for the years ended December 31, 2014 and 2013, as the previously mentioned investments in our human resource base and our insourced web stores, which launched during the fourth quarter of 2014, as well as retail operations expense for new stores and the wrap effect of stores opened in 2014, offset some of our fixed cost leverage. During the year ended December 31, 2013, we incurred $0.5 million of offering costs associated with the secondary offering completed in April 2013 and the aforementioned $1.5 million termination fee to our website e-services provider in order to move to a more insourced model. Excluding the aforementioned termination fee and offering costs from the year ended December 31, 2013, operating income would have been $88.3 million and operating margin would have been 19%.

Other income and expense

Total other income, net increased $0.7 million, or 260%, to income of $0.4 million in 2014 from expense of $0.3 million in 2013. The overall increase was attributable to a reduction of interest expense due to the full repayment of debt in the second quarter of 2014.

Income tax expense

Provision for income taxes increased $4.3 million, or 14%, to $35.8 million in 2014 from $31.5 million in 2013, due principally to higher income before taxes, as well as a higher effective tax rate for the year ended December 31, 2014. The change in the effective tax rate was largely driven by the change in apportionment percentages for state purposes for the year ended December 31, 2014. Additionally, in 2013 we received the benefit of a $0.4 million reversal of an unrecognized tax benefit.

Net income

Net income increased $3.5 million, or 6%, to $58.0 million in 2014 from $54.6 million in 2013. This increase was due largely to the increase in net sales and gross margin dollars, partially offset by the aforementioned higher operating expenses which reflect the incremental personnel and professional services investment required to support the transition of our web stores to a more insourced model, as well as higher retail operations expenses related to new stores opened in 2014.

Basic and diluted weighted average shares outstanding for the years ended December 31, 2014 and 2013 were 67.9 million shares. Basic and diluted EPS was $0.85 per common share for the year ended December 31, 2014 versus $0.80 per common share for the year ended December 31, 2013.

Adjusting for the aforementioned one-time expenses for the year ended December 31, 2013 ($1.5 million termination fee, or $0.9 million after tax, and $0.5 million offering costs, or $0.3 million after tax), net income for the year ended December 31, 2014 would have increased $2.2 million, or 4%. Basic and diluted EPS adjusted for the aforementioned one-time costs would have been $0.82 per common share for the year ended December 31, 2013.

Year ended December 31, 2013 compared with year ended December 31, 2012

Net sales

The following table presents net sales by operating segment for the year ended December 31, 2013 compared with the year ended December 31, 2012.

	2013	2012	% Change
	(dollars in thousands)		
Direct-to-Consumer North America	$209,214	$180,291	16%
Direct-to-Consumer International	22,408	17,879	25%
Indirect-to-Consumer North America	107,303	97,801	10%
Indirect-to-Consumer International	128,513	102,580	25%
Total	$467,438	$398,551	17%

Net sales increased $68.9 million, or 17%, to $467.4 million in 2013 from $398.6 million in 2012. Net sales increased across all of our operating segments for the year ended December 31, 2013 as compared with the year ended December 31, 2012. Sales increased due principally to an increase in volume resulting from new store openings, positive overall comparable store sales from existing stores, continued wholesale expansion outside the United States, continued growth in both Direct-to-Consumer and Indirect-to-Consumer e-commerce and continued consumer acceptance of our lighter weight products. There were 17 new company-owned store openings during 2013 (offset by 1 store closing). Overall, store traffic patterns remained stable during 2013. There were no material price increases during the period. We continued to grow our own e-commerce websites and our wholesale customers' e-commerce websites also have shown positive results. Additionally, during 2013, there were new colors of Tegra-Lite introduced, a successful designer collaboration on a women's collection with Anna Sui, and the introduction of Ticon, a collection designed to protect against identity theft. In the women's line, both the Carlyle and Voyager collections also introduced seasonal colors to which consumers appeared to respond positively. While the net effect of these new colors (net of cannibalization) were not material, these seem to have been met with consumer enthusiasm. New stores opened during the year contributed approximately 12% of the overall sales growth from the year ended December 31, 2012 to the year ended December 31, 2013.

Net sales attributable to the Direct-to-Consumer North America segment experienced a 16% increase for the year ended December 31, 2013 as compared with the year ended December 31, 2012. North America full-price comparable store sales increased less than 1%, North America outlet comparable store sales increased 11% and our North America e-commerce sales increased 20%. Overall, including our e-commerce website, North America comparable store sales increased 6% for the period. Additionally, of the new stores opened during 2013, 16 were in the North America segment and contributed to approximately 26% of the net sales growth in the Direct-to-Consumer North America segment from the year ended December 31, 2012 to the year ended December 31, 2013.

Net sales attributable to the Direct-to-Consumer International segment experienced a 25% increase for the year ended December 31, 2013 as compared with the year ended December 31, 2012, with international full-price comparable store sales up 9% (6% in Euros) and international outlet comparable store sales up 30% (25% in Euros). Our international e-commerce sales were up 14% (10% in Euros). Overall, including our e-commerce websites, our international comparable store sales were up 16% (13% in Euros) for the period. Improvement in store traffic patterns and macroeconomic conditions in the EMEA region helped contribute to this increase. Additionally, of the new stores opened during 2013, one was in Western Europe and contributed to approximately 12% of the Direct-to-Consumer International net sales growth from the year ended December 31, 2012 to the year ended December 31, 2013.

Overall, including e-commerce, comparable store sales for all Direct-to-Consumer channels increased 7% globally for the year ended December 31, 2013 as compared with the year ended December 31, 2012.

Net sales attributable to the Indirect-to-Consumer North America segment increased 10% and net sales attributable to the Indirect-to-Consumer International segment increased 25% for the year ended December 31, 2013 as compared with the year ended December 31, 2012. The Indirect-to-Consumer North America net sales were favorably impacted by strong sales through our wholesale customers' e-commerce websites as well as the aforementioned enthusiasm around our lightweight products and additions to our collections. This was partially offset by our decision to limit our special markets business in an effort to limit the incidences of product diversion and trans-shipping abuses that have become a more common occurrence in Asia, particularly in Japan and South Korea, where the Tumi brand is becoming increasingly popular. Certain special markets customers have been a source of unauthorized product diversion in the past. Our Indirect-to-Consumer International net sales have been favorably impacted by strong performance in Asia related to the opening of new wholesale points of distribution and in the EMEA region, aided by positive reaction to our lightweight collections.

Operating income

The following table presents operating income by operating segment for the year ended December 31, 2013 compared with the year ended December 31, 2012.

	2013	2012	% Change
	(dollars in thousands)		
Direct-to-Consumer North America	$ 62,485	$ 57,208	9%
Direct-to-Consumer International	2,941	964	205%
Indirect-to-Consumer North America	40,637	37,038	10%
Indirect-to-Consumer International	39,829	29,658	34%
Non-allocated corporate expenses	(59,529)	(53,192)	(12)%
Total	$ 86,363	$ 71,676	20%

Operating income increased $14.7 million, or 20%, to $86.4 million in 2013 from $71.7 million in 2012. This improvement was a result of higher revenues and improved gross margin dollars partially offset by higher operating expenses.

Operating income attributable to the Direct-to-Consumer North America segment increased $5.3 million, or 9%, to $62.5 million for the year ended December 31, 2013 from $57.2 million for the year ended December 31, 2012. This was primarily due to growth in e-commerce net sales by 20% and growth from stores opened during the prior year, partially offset by higher retail operations expenses related to new stores opened in 2013. Historically, company-owned store operating margins generally strengthen after their first year of operation.

Operating income attributable to the Direct-to-Consumer International segment increased $1.9 million, or 205%, to $2.9 million for the year ended December 31, 2013 from $1.0 million for the year ended December 31, 2012. This increase was primarily driven by the growth in our comparable stores, partially offset by higher retail operations expenses related to the new store opened in Western Europe during the year ended December 31, 2013. Sales in this segment grew 25% as compared with the prior year, with comparable store sales up 16%.

Operating income attributable to the Indirect-to-Consumer North America segment increased $3.6 million, or 10%, to $40.6 million for the year ended December 31, 2013 from $37.0 million for the year ended December 31, 2012, primarily due to continued sales growth of 10% in this segment, partially offset by approximately $0.3 million for the addition of key account executives.

Operating income attributable to the Indirect-to-Consumer International segment increased $10.2 million, or 34%, to $39.8 million for the year ended December 31, 2013 from $29.7 million for the year ended December 31, 2012. This increase was primarily due to an increase in gross margin dollars, partially offset by additional investments in marketing of approximately $0.7 million in the segment and additional investment in our human resource base of approximately $0.6 million.

Non-allocated corporate expenses represent expenses and income not attributable to a particular operating segment and include core corporate expenses, such as corporate marketing, design, general and administrative expenses, after sales service costs, shipping and warehousing, human resources related to corporate overhead, finance, legal and professional fees and other costs. Non-allocated corporate expenses increased $6.3 million, or 12%, to $59.5 million for the year ended December 31, 2013 from $53.2 million for the year ended December 31, 2012. The increase reflected the addition of several designers, creative talent and product management personnel to help support our existing product lines and to aid in the development of our expanded product line. These aforementioned investments resulted in approximately $1.4 million of additional cost for the year ended December 31, 2013. We increased marketing spending by approximately $2.5 million, as well as increased spending by approximately $0.5 million to expand our after sales service capabilities. We also increased our human resource base, which resulted in approximately $2.3 million of additional cost. In addition, during the year ended December 31, 2013, we incurred $0.5 million of offering costs associated with the secondary offering completed in April 2013 and a $1.5 million termination fee associated with a change in our website e-services provider in order to move to a more insourced model. During the year ended December 31, 2012, we incurred a $5.5 million one-time special bonus paid to the Chief Executive Office ("CEO") in connection with the successful completion of the IPO and $0.6 million of offering costs associated with the secondary offering completed in November 2012 (see Note 1 of our audited consolidated financial statements for further information regarding our IPO and secondary offerings).

Operating margin remained consistent at 18% for the years ended December 31, 2013 and 2012. However, excluding the aforementioned termination fee and offering costs from the year ended December 31, 2013 and excluding the special cash bonus paid to the CEO and offering costs from the year ended December 31, 2012, operating margin would have decreased from 20% for the year ended December 31, 2012 to 19% for the year ended December 31, 2013. In late 2013 we began preparing for the re-launch of our Alpha Travel Collection in the first quarter of 2014 through an after-Christmas holiday promotion. This transition had a marginally negative effect on our 2013 operating margin.

Other income and expense

Total other expenses decreased $7.9 million, or 97%, to $0.3 million in 2013 from $8.2 million in 2012. The overall decrease in other expenses was attributable to a reduction of dividend expense due to the repurchase of all of our mandatorily redeemable preferred stock and preferred equity interests in connection with our IPO in the second quarter of 2012. Excluding this one item, total other expenses remained consistent at $0.3 million.

Income tax expense

Provision for income taxes increased $4.8 million, or 18%, to $31.5 million in 2013 from $26.7 million in 2012, due principally to higher income before taxes, partially offset by a $0.4 million reversal of an unrecognized tax benefit. The effective tax rate was favorably impacted by the reduction of non-deductible dividend expense due to the repurchase of all of our mandatorily redeemable preferred stock and preferred equity interests in connection with our IPO in the second quarter of 2012.

Net income

Net income increased $17.8 million, or 48%, to $54.6 million in 2013 from $36.8 million in 2012. The increase in net income was due mainly to the increase in net sales and gross margin dollars as well as the aforementioned reduction in dividend expense on mandatorily redeemable preferred stock and preferred equity interests.

Basic and diluted weighted average shares outstanding for the years ended December 31, 2013 and 2012 were 67.9 million shares and 63.3 million, respectively. Basic and diluted EPS was $0.80 per common share for the year ended December 31, 2013 versus $0.58 per common share for the year ended December 31, 2012.

Net income before dividend expense on mandatorily redeemable preferred stock and preferred equity interests was $54.6 million and $44.7 million for the years ended December 31, 2013 and 2012, respectively. Basic and diluted EPS before dividend expense on mandatorily redeemable preferred stock and preferred equity interests was $0.80 per common share and $0.71 per common share for the years ended December 31, 2013 and 2012, respectively.

In addition, adjusting for dividend expense and the aforementioned one-time expenses in both periods ($1.5 million termination fee, or $0.9 million after tax, and $0.5 million offering costs, or $0.3 million after tax, for the year ended December 31, 2013 and $5.5 million special cash bonus paid to the CEO, or $3.1 million after tax, and $0.6 million offering costs, or $0.4 after tax, for the year ended December 31, 2012) net income in 2013 would have increased approximately $7.6 million, or 16%, to $55.8 million from $48.2 million in 2012. Basic and diluted EPS before dividend expense on mandatorily redeemable preferred stock and preferred equity interests adjusted for the aforementioned one-time costs in both periods would have been $0.82 and $0.76 per common share for the years ended December 31, 2013 and 2012, respectively.

Seasonality

Our business is seasonal in nature and as a result, our net sales and working capital requirements fluctuate from quarter to quarter. Our fourth quarter is a significant period for our results of operations due to increased Direct-to-Consumer sales during the holiday season in North America and Europe. We expect inventory levels, along with an increase in accounts payable and accrued expenses, to reach their highest levels in anticipation of the increased net sales during this period. In 2014 and 2013, fourth quarter net sales represented approximately 31% and 32% of our total annual net sales. Operating income in the same periods represented approximately 40% and 37% of our total annual operating income, respectively.

Liquidity and Capital Resources

Historically, our primary source of liquidity has been cash flows from operations. Our long-term credit facility has not historically been used to finance our capital requirements, but instead was used to refinance acquisition indebtedness originally incurred when Doughty Hanson and certain members of management at that time acquired the Company in 2004. We have from time to time drawn down on our revolving line of credit as short-term liquidity needs arise. We use our cash flows from operations to fund our store development activities.

Inflationary factors such as increases in the cost of sales, including raw materials costs and transportation costs, may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain our gross margin levels and our current levels of selling expenses and general and administrative expenses as a percentage of net sales if the sale prices of our products do not increase with any increase in cost of sales.

We believe we have sufficient working capital and liquidity to support our operations for at least the next twelve months.

Cash and cash equivalents

At December 31, 2014, 2013 and 2012, we had cash and cash equivalents of $52.8 million, $37.6 million and $36.7 million, respectively. A summary of our cash flows provided by and used in operating, investing and financing activities is presented below.

Cash flows from operating activities

Cash flows from operating activities consisted primarily of net income adjusted for certain non-cash items, including depreciation and amortization, share-based compensation expense, dividend expense on mandatorily redeemable preferred stock and preferred equity interests, loss on disposal of fixed assets and other non-cash charges. Our cash flows from operations are largely dependent on sales to consumers and wholesale customers, which are in turn dependent on consumer confidence, store traffic, conversion, business travel and general economic conditions. We believe we have the ability to conserve liquidity when economic conditions become less favorable through any number of strategies including curtailment of store expansion plans and cutting discretionary spending.

We generated cash flows from operations of $60.5 million and $63.2 million during the years ended December 31, 2014 and December 31, 2013, respectively. The principal reason for the decrease was the prepayments made for our estimated income taxes.

We generated cash flows from operations of $63.2 million and $48.4 million during the years ended December 31, 2013 and 2012, respectively. The principal reason for this increase was the improvement in net income.

Investing activities

Cash flows used for investing activities consisted of capital expenditures for store expansion plans, store renovations, store openings, store relocations, information technology infrastructure, distribution infrastructure and product tooling costs.

Cash used for capital expenditures was $36.6 million and $25.4 million for the years ended December 31, 2014 and 2013, respectively. The increase was due principally to the investment in our insourced web platform and stores opened or renovated during 2014 as well as stores expected to open in the first quarter of 2015.

Cash used for capital expenditures was $25.4 million and $21.3 million for the years ended December 31, 2013 and 2012, respectively. The increase was due principally to the investment in a new point of sale system, store openings, and the completion of our warehouse expansion project.

Financing activities

Cash flows used for financing activities was $8.0 million and $37.0 million for the years ended December 31, 2014 and 2013, respectively. The decrease was mainly attributable to lower repayments of bank debt during the year ended December 31, 2014, during which the balance outstanding was paid in full.

Cash flows used for financing activities was $37.0 million and $23.2 million for the years ended December 31, 2013 and 2012, respectively. The increase was mainly attributable to the pay down of the revolving credit facility during 2013.

Amended and restated credit facility

On April 4, 2012, Tumi, Inc. and Tumi Stores, Inc., each a direct or indirect wholly-owned subsidiary of the Company (the "Borrowers"), entered into an amended and restated credit facility (the "Amended Credit Facility"), with Wells Fargo Bank National Association ("Wells Fargo") as lender and collateral agent.

The Amended Credit Facility consolidated the term loan facility and the revolving credit facility previously provided in the Company's former debt facility with Wells Fargo into a single $70,000,000 senior secured revolving credit facility, with Wells Fargo as the sole lender, and extended the maturity of the facility until April 4, 2017. The Amended Credit Facility included a letter of credit sublimit not to exceed the undrawn amount of the revolving commitments.

On August 29, 2013, the Amended Credit Facility was amended to reduce the letter of credit sublimit to $5,000,000.

Borrowings under the Amended Credit Facility bear interest at a per annum rate equal to, at the Borrowers' option, the one, two, three or six month (or such other period as Wells Fargo may agree) LIBOR rate plus a margin of 1.00% or 1.25%, or a base rate (the greater of (i) Wells Fargo's prime rate in effect on such day and (ii) the federal funds rate plus 1/2 of 1.00%) plus a margin of zero or 0.25%. The Borrowers are required to pay an undrawn commitment fee equal to 0.15% or 0.20% of the undrawn portion of the commitments under the Amended Credit Facility, as well as customary letter of credit fees. The margin added to the LIBOR, or base rate, as well as the amount of the commitment fee, depends on the Company's leverage at the time. Interest is payable monthly, bi-monthly or quarterly on LIBOR rate loans depending on the interest period for each LIBOR rate loan, or quarterly on base rate loans.

As of December 31, 2014 the Company had no balance outstanding under the Amended Credit Facility. As of December 31, 2013, the balance outstanding on the facility was $8,000,000 and bore interest at the market LIBOR rate of 0.17% plus 100 basis points. Letters of credit totaling $286,000 were outstanding under the facility at both December 31, 2014 and 2013 and, accordingly, the unused portion of the facility was $69,714,000 and $61,714,000, respectively. The fee for the unused portion of the facility was $104,000 and $70,000 for the years ended December 31, 2014 and 2013, respectively.

All obligations under the Amended Credit Facility are required to be guaranteed by each of the Borrowers' material domestic subsidiaries, subject to certain exclusions. The obligations under the Amended Credit Facility are secured by substantially all of the Borrowers' assets and, if applicable, those of the Borrowers' subsidiary guarantors. Currently the Borrowers do not have any subsidiary guarantors.

The Amended Credit Facility contains customary events of default, including, but not limited to, payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults under material debt, certain events of bankruptcy and insolvency, defaults based on certain judgments, failure of any material provision of any loan document to be in full force and effect, change of control, and certain ERISA defaults. If an event of default were to occur and continue, amounts due under the Amended Credit Facility would be accelerated and the commitments to extend credit thereunder terminated, and the rights and remedies of Wells Fargo under the Amended Credit Facility available under the applicable loan documents could be exercised, including rights with respect to the collateral securing the obligations under the Amended Credit Facility.

The foregoing summaries of certain provisions of the Amended Credit Facility do not purport to be complete and are qualified in their entirety by reference to the full text of the Amended Credit Facility.

Contractual Obligations

The following table represents our obligations and commitments to make future payments under contracts, such as lease agreements and debt obligations, and under contingent commitments as of December 31, 2014:

	Payments due by period				
	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
	(in millions)				
Minimum lease payments[1]	$28.3	$49.9	$43.6	$76.0	$197.8
Purchase obligations[2]	51.9	—	—	—	51.9
Total	$80.2	$49.9	$43.6	$76.0	$249.7

(1) Our store leases generally have initial lease terms of 10 years and include renewal options upon substantially the same terms and conditions as the original lease. We had no material construction commitments for leasehold improvements at December 31, 2014, 2013 and 2012, respectively.

(2) Purchase obligations represent an estimate of open purchase orders and contractual obligations in the ordinary course of business for which the Company has not received the goods or services. Although open purchase orders are considered enforceable and legally binding, the terms generally allow us the option to cancel, reschedule, and adjust our requirements based on our business needs prior to the delivery of goods or performance of services.

Off-Balance Sheet Arrangements

We have not entered into any off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Our discussion and analysis of financial condition and results of operations is based upon our audited consolidated financial statements which have been prepared in accordance with GAAP. The preparation of these financial statements requires estimates and judgments that affect the reported amounts of our assets, liabilities, net sales and operating expenses and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and various other assumptions we believe to be reasonable given the circumstances and we evaluate these estimates on an ongoing basis. Actual results may differ from these estimates under different assumptions or conditions.

We believe that our critical accounting policies and estimates require us to make difficult, subjective or complex judgments about matters that are inherently uncertain. See Note 1 to our audited consolidated financial statements, which are included elsewhere in this report, for a complete discussion of our significant accounting policies. The following reflect the significant estimates and judgments used in the preparation of our consolidated financial statements.

Revenue recognition

Revenue is generated from the sale of our products and is classified as "net sales" in our consolidated statements of operations. We recognize revenue in our Direct-to-Consumer segment when inventory is received by customers and the related title passes. In our Indirect-to-Consumer segments, revenue is recognized when inventory is in possession of our wholesale customers or their appointed carriers, at which point the related title passes. Provisions for discounts, rebates to customers and returns are recorded as a reduction of net sales in the same period as the related sale. Revenue associated with gift cards is recognized upon redemption. Determining our provision for discounts, rebates and returns requires significant judgment based on historical information and estimates of future activity.

Accounts receivable and allowance for doubtful accounts

We determine our allowance for doubtful accounts for accounts receivable by considering a number of factors including the length of time trade receivables are past due, our previous loss history, our customer's current ability to pay its obligation and the condition of the general economy and the industry as a whole. Unanticipated events and circumstances may occur that affect the accuracy or validity of such assumptions, estimates or actual results.

Inventories

Inventories consist primarily of finished goods and are valued at the lower of cost or market. Cost is recorded using the first-in, first-out method. Inventory includes material, labor, overhead, freight, and duty and is adjusted for allowances for slow-moving and obsolete inventory. Slow-moving and obsolete inventory is determined through an evaluation of both historical usage and expected future demand.

Income taxes

We utilize the asset and liability method of accounting for income taxes, under which deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. The effect on deferred taxes of a change in tax rates is recognized in net income in the period that includes the enactment date. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

We apply the provisions of the FASB's guidance relating to uncertain tax positions. We utilize the two step process to determine the amount of recognized tax benefit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority.

Goodwill and intangible assets

Goodwill represents the excess of the purchase price over the fair value of net assets acquired, including intangible assets. Indefinite-lived intangible assets consist of brand/trade name. Goodwill and brand/trade name are not being amortized in accordance with the provisions of the FASB's guidance, which requires these assets to be tested for impairment annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Our annual impairment testing date is the first day of our fourth quarter. No impairment was recognized in the years ended December 31, 2014, 2013 and 2012.

The quantitative goodwill impairment test, if necessary, is a two-step process. Under the first of two steps, the Company compares the fair value of a reporting unit to its carrying amount, including goodwill, to identify a potential impairment. If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for such reporting unit and the enterprise must perform step two of the impairment test to measure the impairment, if any. Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation: the fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill.

The Company uses techniques including discounted expected future cash flows (Level 3 input), or DCF, to test goodwill. Indefinite-lived intangible assets are tested for impairment through an income approach known as the relief from royalty method. A discounted cash flow analysis calculates the fair value by estimating the after-tax cash flows attributable to a reporting unit or asset and then discounting the after-tax cash flows to a present value using a risk-adjusted discount rate. Assumptions used in DCF and the relief from royalty method require the exercise of significant judgment including judgment about appropriate royalty rates, discount rates and terminal values, growth rates and the amount and timing of expected future cash flows. Although the Company believes the historical assumptions and estimates made are reasonable and appropriate, different assumptions and estimates could materially impact its reported financial results.

The Company's reporting units for the purpose of goodwill impairment testing are our reportable business segments: (i) Direct-to-Consumer North America, (ii) Indirect-to-Consumer North America, (iii) Direct-to-Consumer International and (iv) Indirect-to-Consumer International. The reporting units were determined in accordance with the guidance on reportable segments in FASB ASC 280-10-50-1. There is no discrete financial information available to the Company for its operations below our reportable business segments.

Warranties

We provide our customers with a product warranty subsequent to the sale of our products. Our warranty policy provides for one year of worry-free service as well as an additional warranty against manufacturers' defects or flaws in construction for between two and five years, depending on the product line. We recognize estimated costs associated with the limited warranty at the time of sale of our products. The warranty reserve is based on historical experience.

Recently Issued Accounting Pronouncements

In July 2013, the FASB issued ASU No. 2013-11, "Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward exists." This amended guidance requires an entity to present an unrecognized tax benefit as a reduction of a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carry forward. If an applicable deferred tax asset is not available or a company does not expect to use the applicable deferred tax asset, the unrecognized tax benefit should be presented as a liability in the financial statements and should not be combined with an unrelated deferred tax asset. The new guidance is effective prospectively for fiscal years and interim periods beginning after December 15, 2013, with early adoption permitted. The Company adopted the amended guidance effective January 1, 2014 and it did not have a material effect on its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" which amended the existing accounting standards for revenue recognition. ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. It is effective for annual reporting periods beginning after December 15, 2016. Early adoption is not permitted. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Company is currently in the process of evaluating the impact of adoption of the ASU on its consolidated financial statements, but does not expect the impact to be material.

In June 2014, the FASB issued ASU 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (Topic 718)". ASU 2014-12 requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. ASU 2014-12 is effective for annual reporting periods beginning after December 15, 2015, with early adoption permitted. The Company is evaluating the potential impacts of the new standard on its existing share-based compensation plans, but does not expect the impact to be material.

Financial Statement Components

Net sales

Net sales consists of revenue from the sale of products, less returns, discounts and allowances and other offsets to net sales. In our Direct-to-Consumer segments, revenue is recognized when a consumer purchase occurs and the consumer receives the merchandise. In our Indirect-to-Consumer segments, revenue is recognized when inventory is in possession of our wholesale customers or their appointed carriers, at which point the risk and related title passes. Provisions for discounts, rebates to consumers and returns are recorded as a reduction of net sales in the same period as the related sale. Revenue associated with gift cards is recognized upon redemption. Revenue from gift cards and the amount of revenue recognized for gift cards not redeemed ("breakage") is immaterial to our results of operations. Amounts billed to customers for delivery costs are classified as a component of net sales, and any other related delivery costs are classified as a component of cost of sales. Sales and value added tax collected from consumers and remitted to governmental authorities are accounted for on a net basis and are excluded from net sales on our consolidated results of operations.

Comparable store sales are calculated based on our company-owned stores that have been open for at least a full calendar year as of the end of our annual reporting period. For example, a store opened in October 2014 will not impact the comparable store comparison until January 1, 2016. Additionally, temporary store closings, store expansions and store relocations are excluded from the comparable store base under most circumstances. There may be variations in the way in which some of our competitors and other retailers calculate comparable or "same store" sales. As a result, data in this Annual Report on Form 10-K regarding our comparable store sales may not be comparable with similar data made available by other companies.

Cost of sales

Cost of sales includes the cost of finished goods purchased from our suppliers plus the cost of freight to deliver the product to our distribution centers, packaging and related duties and applicable overhead incurred to bring the merchandise to its condition for sale. Gross margin is defined as net sales less the cost of sales.

Operating expenses

Operating expenses consist of selling, marketing, retail operations and general and administrative expenses.

Selling. Selling expenses consist of wholesale-related salaries, benefits, commissions, incentive programs, concession fees, travel and entertainment, meetings and seminars and other selling costs and expenses, in each case related to our global wholesale business.

Marketing. Marketing expenses consist of in-store and consumer advertising, marketing-related salaries and benefits, travel and entertainment, lease-required advertising, consumer catalogs, market research and other consulting costs and expenses related to marketing.

Retail operations. Retail operations expenses include occupancy and staffing costs associated with our company-owned stores, store depreciation expense, operator fees for our e-commerce websites, depreciation on point-of-sale fixtures, travel and entertainment, meetings and seminars, insurance and other related administrative costs and expenses.

General and administrative. General and administrative expenses consist of product development costs related to tools, dies, design and travel; shipping and distribution costs; costs associated with running our global distribution network such as occupancy and employment expenses; costs associated with warranty and after-sales service such as employee and repair-related expenses and warranty claims; employee-related costs associated with our executive, finance, information technology, legal and human resource functions; costs associated with our corporate headquarters and product showrooms; and legal, tax and accounting fees.

Operating income

Operating income consists of gross margin less operating expenses, and excludes other income and expenses (i.e., non-operating income and expenses).

Other income (expenses)

Interest expense. Interest expense consists of interest payments made pursuant to our amended and restated credit facility and our former credit and guaranty agreement with, among others, Wells Fargo, as well as amortization of deferred financing costs, net of minimal interest income.

Dividend expense on mandatorily redeemable preferred stock and preferred equity interests. Dividend expense on mandatorily redeemable preferred stock and preferred equity interests consists solely of non-cash accrued preferred dividends on our mandatorily redeemable preferred stock and preferred equity interests. These amounts had not been paid but were due upon redemption.

Earnings from joint venture investment. Earnings from joint venture investment relate exclusively to Tumi Japan, a joint venture (corporation) in which we hold a 50% interest and which sells Tumi products in 14 retail stores and to various high-end wholesale customers in Japan.

Foreign exchange gains (losses). Foreign currency exposures arise in our branch offices and subsidiaries in Europe where transactions are denominated in a currency other than the U.S. dollar. Gains and losses such as those resulting from the settlement of receivables and payables denominated in foreign currency are included in the earnings of the current period in "foreign exchange gains (losses)." We are also exposed to foreign currency exchange rate fluctuations with respect to our European operations as a result of its U.S. dollar-denominated historical rate intercompany loan balance. We believe that exposure to adverse changes in exchange rates associated with revenues and expenses of our foreign branch offices and subsidiaries are immaterial to our consolidated financial statements. Gains and losses arising from currency exchange rate fluctuations on intercompany transactions deemed to be long-term in nature remain in other comprehensive income.

Other non-operating income (expenses). Other non-operating income (expenses) includes all other non-operating income and expenses.

Provision for income taxes

We record income tax expenses related to federal, state, local and foreign income.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in foreign currency exchange rates and interest rates. We do not currently hold or issue financial instruments for trading purposes, although we have in the past entered into interest rate hedges for the purposes of limiting our exposure to fluctuations in interest rates.

Foreign currency exchange risk

Although the majority of our international net sales are billed and collected in U.S. dollars, our European sales are billed and collected in Euros, and we are therefore subject to risk associated with exchange rate fluctuations. During 2014 and 2013, we recorded gains related to the exchange rate fluctuation effect on remittances from our European affiliates and other transactions relating to our international operations of $475,000 and $388,000, respectively. We recorded a $287,000 loss in 2012 related to the exchange rate fluctuation effect on those remittances. Because a portion of our net sales (approximately 10% in each of 2014, 2013 and 2012) are denominated in Euros, exchange rate fluctuations can have an impact on our reported net sales. For example, if the U.S. dollar strengthens against the Euro, this could have a negative effect on our European operating results when those results are translated into U.S. dollars. Any hypothetical loss in net sales could be partially or completely offset by lower selling expenses and general and administrative expenses that are generated in Euros.

Substantially all of our purchases from our foreign suppliers are denominated in U.S. dollars. A precipitous decline in the value of the U.S. dollar could cause our foreign suppliers to seek price increases on the goods they supply to us. This could impact our gross margin if market conditions prevent us from passing those costs on to consumers. We do not currently use the derivative markets to hedge foreign currency fluctuations but may in the future consider entering into derivative financial instruments to mitigate losses associated with these risks. We do not, and do not intend to, engage in the practice of trading derivative securities for profit.

Interest rate risk

In connection with the IPO, on April 4, 2012, Tumi, Inc. and Tumi Stores, Inc., entered into the Amended Credit Facility, with Wells Fargo as lender and as collateral agent. The Amended Credit Facility consolidated the term loan facility and the revolving credit facility previously provided in our former debt facility into a single $70,000,000 senior secured revolving credit facility. See "—Liquidity and Capital Resources—Amended and restated credit facility."

Amended credit facility. Under the Amended Credit Facility, borrowings bear interest payable quarterly or, in the case of loans subject to the LIBOR rate, monthly, bi-monthly or quarterly depending on the interest period for such loans. Borrowings under the Amended Credit Facility will bear interest at a per annum rate equal to, at our option, the one, two, three or six-month (or such other period as Wells Fargo may agree) LIBOR rate plus a margin of 1.00% or 1.25%, or a base rate plus a margin of zero or 0.25%. The margin added to the LIBOR, or base rate, will depend on our leverage at the time. Accordingly, under the Amended Credit Facility, we continue to be exposed to market risk from changes in the underlying variable interest rates, which affect our cost of borrowings. We carefully monitor the interest rates on our borrowings under the Amended Credit Facility. As of December 31, 2014, we had no balance outstanding under the Amended Credit Facility.

We do not currently have any interest rate hedging activities in place, but we may in the future engage in hedging activities, based on, among other things, market conditions. We do not, and do not intend to, engage in the practice of trading derivative securities for profit. A 10% increase in the applicable interest rate would not have had a material effect on interest expense to us under the Amended Credit Facility.

Inflation

Inflationary factors such as increases in the cost of sales, including raw materials costs and transportation costs, may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain our gross margin levels and our current levels of selling expenses and general and administrative expenses as a percentage of net sales if the sale prices of our products do not increase with any increase in cost of sales.

3. The following is an extract of the management discussion and analysis of the results of Tumi for the year ended December 31, 2015 from the 2015 annual report of Tumi.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with "Selected Consolidated Financial Data" and our audited consolidated financial statements and notes thereto included elsewhere in this report. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from management's expectations. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. We generally identify forward-looking statements by words such as "anticipate," "estimate," "expect," "intend," "project," "plan," "predict," "believe," "seek," "continue," "outlook," "may," "might," "will," "should," "can have," "likely" or the negative version of these words or comparable words. Factors that can cause actual results to differ materially from those reflected in the forward-looking statements include, among others, those discussed in "Risk Factors" and elsewhere in this report. We urge you not to place undue reliance on these forward-looking statements, which reflect management's analysis, judgment, belief or expectation only as of the date hereof. We expressly disclaim any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by applicable securities laws and regulations. Historical results are not necessarily indicative of the results expected for any future period.

Executive Overview

We are a leading, growing, global, premium lifestyle brand whose products offer superior quality, durability and innovative design. We offer a comprehensive line of travel and business products and accessories in multiple categories. We design our products for, and market our products to, sophisticated professionals, frequent travelers and brand-conscious individuals who enjoy the premium status of Tumi products. We sell our products through a network of company-owned full-price stores and outlet stores, partner stores, concessions, shop-in-shops, specialty luggage shops, high-end department stores and e-commerce distribution channels. We have approximately 2,000 points of distribution in over 75 countries, and our global distribution network is enhanced by the use of our three logistics facilities located in the United States, Europe and Asia. We design our products in our U.S. design studios and selectively collaborate with well-known, international, industrial and fashion designers for limited edition product lines. Production is sourced globally through a network of suppliers based principally in Asia, many of which are longtime suppliers, and the Caribbean.

Since 2011, we have expanded our global presence by successfully implementing our growth strategies, which have included opening additional company-owned stores and increasing wholesale points of distribution. Our net sales have grown from $330.0 million in 2011 to $547.7 million in 2015, representing a compound annual growth rate of 14%. This increase in net sales resulted primarily from an increase in the number of our company-owned stores from 86 as of January 1, 2011 to 177 as of December 31, 2015, as well as an increase in average net sales per square foot in company-owned stores from $972 for the year ended December 31, 2011 to $1,006 for the year ended December 31, 2015, as well as growth in our e-commerce business and international wholesale sales. Our ability to expand our points of distribution and to grow our net sales in existing stores has been driven by increasing demand for our products, as well as growing recognition of the Tumi brand. We have increased our focus on our women's line, which we estimate has grown from representing approximately 11% of our net sales in 2011 to approximately 14% of our net sales in 2015, and on increasing our overall online presence, for which net sales have more than doubled from 2011 to 2015. Since 2011, Direct-to-Consumer e-commerce net sales per fiscal year have ranged from 13% to 15% of total Direct-to-Consumer net sales.

In recent years, the travel products industry has seen a trend in consumer preferences towards lighter-weight luggage and travel accessories, as well as merchandise that makes mobile computing and communication more convenient. In light of these trends, we have developed products that fulfill those identified needs, such as our Vapor-Lite and Tegra-Lite lines. We have also developed a variety of mobile electronic accessories designed for frequent travelers. We estimate that the accessories category represents approximately 14% of our net sales in 2015. Additionally, we have seen an increase in the relative percentage of our net sales derived from our premium product line and updates of our core product line, and a decrease in the relative percentage of our net sales derived from our legacy core product line in recent years.

We believe there is a significant opportunity to continue to expand our store base globally, and we plan to add new company-owned and partner stores in upscale malls and prestige street venues. We opened 27 new company-owned stores in the year ended December 31, 2015. We currently expect to continue to open company-owned stores, both in North America and internationally, in the foreseeable future. Most of the locations we have identified for new company-owned stores are for full-price stores, while the remaining locations are for outlet stores. We also believe there are opportunities to open additional stores in airport locations as well as luxury casinos.

We believe we have the capacity to increase our Indirect-to-Consumer net sales, both in North America and internationally. In particular, we plan to continue to grow in key Asian markets, particularly China. Currently, more than 20% of our net sales in the Asia-Pacific region are to Japan, with Greater China and South Korea being the next largest contributors. Additionally, Indirect-to-Consumer net sales in the Asia-Pacific region have increased more than 70% in the past five years. We also plan to increase the number of wholesale doors in key European markets including, Germany, France and the United Kingdom, and to expand wholesale distribution in Central and South America, while also expanding our product portfolio offered in existing wholesale doors. We believe there is also significant opportunity to open additional points of distribution in airport locations in many of these regions. In North America, we expect to grow net sales by increasing our wholesale door presence, expanding our accessories business in department stores, targeting the assortment of products available to third party e-commerce providers and increasing penetration of the Canadian market through department stores, specialty stores, e-commerce sales and new distribution partners. Since 2011, Indirect-to-Consumer net sales have increased in EMEA, the Asia-Pacific region, North America and Central and South America.

We generally expect the payback of our investment in a new company-owned store to occur in less than two and a half years. Over the long-term, we also believe we can increase our average net sales per square foot by continuing to improve store efficiency. Our new product development efforts help drive store traffic while our retail performance maximization program and associate training efforts contribute to improved store efficiency. Over the long-term, we also believe we can increase our net sales by capitalizing on our flexible distribution model. We will continue to look for ways to improve our capital efficiency in both current and new markets in the future.

Key Performance Indicators

Key performance indicators that we use to manage our business and evaluate our financial results and operating performance are average net sales per square foot and "constant currency" performance measures.

Average net sales per square foot, which relates to company-owned stores only, provides us with a measure to evaluate our store sales trends and to assess the operational performance of our stores. Average net sales per square foot is calculated using net sales for the last twelve months for all stores open for the full twelve months. This measure is supplemented by a number of non-financial operating metrics related to store performance, which provide benchmarks against which to evaluate store efficiencies but are not considered by management to be reliable financial metrics.

While average net sales per square foot have increased over time, in the current year average net sales per square foot decreased by approximately $76, or 7%, to $1,006 as of December 31, 2015 from $1,082 as of December 31, 2014. This decrease was primarily due to negative overall comparable store sales in the year ended December 31, 2015, as well as the addition of several large but less mature stores to the square footage base during the year ended December 31, 2015.

We also refer to certain financial metrics on a "constant currency" basis so that the business results can be viewed without the impact of translating foreign currencies into U.S. dollars and the impact of currency rate changes on foreign currency denominated transactions, thereby facilitating period-to-period comparisons of our business performance. Generally, when the dollar either strengthens or weakens against other currencies, metrics at constant currency rates or adjusting for currency will be higher or lower than results reported at actual exchange rates.

"Constant currency" performance measures are not measures presented in accordance with U.S. GAAP. Undue reliance should not be placed on these measures as our only measures of operating performance. Constant currency performance measures have limitations as analytical tools. When assessing our operating performance, investors should not use constant currency performance measures in isolation or as substitutes for operating income, net income or net sales.

Reconciliation of Constant Currency Financial Measures
(In thousands, except per share data)

	For the years ended December 31,				
	2015		2014	% Change	
	As Reported	Constant Currency	As Reported	As Reported	Constant Currency
Net sales	$547,655	$562,503	$527,194	3.9%	6.7%
Operating income	$ 96,888	$100,987	$ 93,430	3.7%	8.1%
Operating income margin	17.7%	18.0%	17.7%		
Net income	$ 63,013	$ 65,438	$ 58,009	8.6%	12.8%
Diluted earnings per share	$ 0.93	$ 0.96	$ 0.85	8.6%	12.8%

Constant currency amounts exclude both the impact of translating foreign currencies into U.S. dollars and the impact of currency rate changes on foreign currency denominated transactions.

Our Operating Segments

We evaluate operating performance based on net sales and operating income in four operating segments.

Direct-to-Consumer North America

As of December 31, 2015, we sold our products directly to consumers through a network of 154 company-owned retail stores consisting of full-price stores and outlet stores strategically positioned in high-end retail malls or street venues. We also sell our products directly to consumers through our e-commerce website.

Direct-to-Consumer International

As of December 31, 2015, we sold directly to consumers through a network of 23 company-owned full-price and outlet stores in high-end street venues and select malls in international locations. We also sell our products directly to consumers through our international e-commerce websites.

Indirect-to-Consumer North America

As of December 31, 2015, we sold to wholesale customers in North America through approximately 800 doors, including specialty luggage retailers, prestige department stores and business-to-business channels. Many of our wholesale customers also operate their own e-commerce websites through which they sell our products. Our products are also sold in partner stores, which are owned and operated by local distributors or retailers that purchase Tumi products from the Company through a wholesale arrangement. These locations carry only Tumi products and are governed by strict operating guidelines that we dictate with regard to brand presentation. The employees at partner store locations are not our employees but rather those of the distributors or retailers.

Indirect-to-Consumer International

As of December 31, 2015, we sold our products to international wholesale customers through approximately 1,000 doors, approximately 55% of which are in the EMEA region, 40% of which are in the Asia-Pacific region, and 5% of which are in Central and South America. We have distribution channels in Australia, China, Europe, Hong Kong, the Middle East, South Africa, Japan, South Korea, Southeast Asia and Taiwan, among others. Our products are also sold in partner stores, which are owned and operated by local distributors or retailers that purchase Tumi products from the Company through a wholesale arrangement. These locations carry only Tumi products and are governed by strict operating guidelines that we dictate with regard to brand presentation. The employees at partner store locations are not our employees but rather those of the distributors or retailers. We also operate concessions in department stores throughout Europe and the Middle East. Many of our wholesale customers also operate their own e-commerce websites through which they sell our products.

Certain corporate expenses are not specifically allocated to individual operating segments, such as product design and development and certain general and administrative costs, as well as certain marketing, warehouse and other expenses.

For an explanation of the financial statement components discussed in this section, see "—Financial Statement Components" and Note 1 to our audited consolidated financial statements.

Results of Operations

The following table sets forth consolidated operating results and other operating data for the periods indicated:

Operating results

	For the years ended December 31,		
	2015	2014	2013
		(In thousands)	
Net sales	$547,655	$527,194	$467,438
Cost of sales	220,755	221,227	198,593
Gross margin	326,900	305,967	268,845
Operating expenses			
Selling	33,946	36,447	28,875
Marketing	18,565	17,539	17,373
Retail operations	127,848	114,752	98,720
General and administrative	49,653	43,799	37,514
Total operating expenses	230,012	212,537	182,482
Operating income	96,888	93,430	86,363
Other income (expenses)			
Interest expense	(347)	(477)	(733)
Earnings from joint venture investment	411	279	184
Foreign exchange gains	427	475	388
Other non-operating income (expenses)	74	132	(94)
Total other income (expenses)	565	409	(255)
Income before income taxes	97,453	93,839	86,108
Provision for income taxes	34,440	35,830	31,549
Net income	$ 63,013	$ 58,009	$ 54,559

Percentage of net sales

	For the years ended December 31,		
	2015	2014	2013
Net sales	100%	100%	100%
Cost of sales	40%	42%	42%
Gross margin	60%	58%	58%
Operating expenses			
Selling	6%	7%	6%
Marketing	3%	3%	4%
Retail operations	23%	22%	21%
General and administrative	9%	8%	8%
Total operating expenses	42%	40%	39%
Operating income	18%	18%	18%
Other income (expenses)			
Interest expense	—%	—%	—%
Earnings from joint venture investment	—%	—%	—%
Foreign exchange gains	—%	—%	—%
Other non-operating income (expenses)	—%	—%	—%
Total other income (expenses)	—%	—%	—%
Income before income taxes	18%	18%	18%
Provision for income taxes	6%	7%	7%
Net income	12%	11%	12%

* The percentages in the above table may not foot due to rounding.

The following tables summarize the number of company-owned stores open at the beginning and the end of the periods indicated:

Direct-to-Consumer North America

	For the years ended December 31,		
	2015	2014	2013
Number of stores open at beginning of period	133	114	99
Stores opened	22	21	16
Stores closed	(1)	(2)	(1)
Number of stores open at end of period	154	133	114

Direct-to-Consumer International

	For the years ended December 31,		
	2015	2014	2013
Number of stores open at beginning of period	19	16	15
Stores opened	5	4	1
Stores closed	(1)	(1)	—
Number of stores open at end of period	23	19	16

Year ended December 31, 2015 compared with the year ended December 31, 2014

Net sales

The following table presents net sales by operating segment for the year ended December 31, 2015 compared with the year ended December 31, 2014.

	2015	2014	% Change
	(dollars in thousands)		
Direct-to-Consumer North America	$262,185	$243,142	8%
Direct-to-Consumer International	32,264	28,265	14%
Indirect-to-Consumer North America	108,074	111,191	(3)%
Indirect-to-Consumer International	145,132	144,596	<1%
Total	$547,655	$527,194	4%

Net sales increased $20.5 million, or 4%, to $547.7 million in 2015 from $527.2 million in 2014. On a constant currency basis, net sales increased 7%. The increase in net sales was due principally to an increase in volume resulting from new store openings in our Direct-to-Consumer segments. There were 27 new stores opened, 2 store relocations, 5 store renovations and 2 store closures during the year ended December 31, 2015. New stores opened during the year contributed to approximately 60% of the overall sales growth experienced from the year ended December 31, 2014 to the year ended December 31, 2015. This increase was partially offset by negative comparable store sales in the year ended December 31, 2015. There continued to be positive response to our Alpha Bravo collection, which re-launched during the second quarter of 2015, and the roll out of our Voyageur collection, which re-launched during the fourth quarter of 2014. We also saw growth in sales in our women's category as well as our premium product collection. Additionally, net sales were negatively impacted during the period as we did not anniversary our legacy Alpha promotion and concurrent introduction of our re-launched Alpha Travel Collection (Alpha 2), both of which benefited sales during 2014. Weaker traffic trends in our Direct-to-Consumer North America segment and the impact of the strengthening U.S. dollar on our EMEA wholesale and retail businesses also had a negative effect on sales.

Net sales attributable to the Direct-to-Consumer North America segment experienced an 8% increase for the year ended December 31, 2015 as compared with the year ended December 31, 2014. Of the 27 new stores opened during 2015, 22 were in the North America segment and contributed to approximately 56% of the net sales growth in the Direct-to-Consumer North America segment from the year ended December 31, 2014 to the year ended December 31, 2015. This increase was largely offset by a decrease in comparable store sales due in part to a decline in our overall traffic patterns. During the year ended December 31, 2014, we re-launched our Alpha 2 collection while liquidating our legacy Alpha products, which drove traffic to our full-price stores as well as conversion on our e-commerce platform. Overall, North America comparable store sales decreased 2.3% for the period. North America full-price comparable store sales decreased 1.9%, North America outlet comparable store sales increased 1.9% and our North America e-commerce sales decreased 9.5%.

Net sales attributable to the Direct-to-Consumer International segment experienced a 14% increase for the year ended December 31, 2015 as compared with the year ended December 31, 2014. Of the 27 new stores opened during 2015, 5 were in Europe and comprised approximately 39% of the net sales growth in the Direct-to-Consumer International segment from the year ended December 31, 2014 to the year ended December 31, 2015. This increase was partially offset by a decrease in comparable store sales during the year ended December 31, 2015, which was due to the translation effect the strengthening of the U.S. dollar had on our sales denominated in Euros. Overall, our international comparable store sales decreased 3.9% (increased 14.9% in Euros) for the period. Our international full-price comparable store sales were down 6.9% (up 11.3% in Euros) and outlet comparable store sales were down 3.2% (up 15.7% in Euros). Our international e-commerce sales increased 4.7% (increased 25.1% in Euros).

Overall, comparable store sales for all Direct-to-Consumer channels decreased 2.5% globally for the year ended December 31, 2015 as compared with the year ended December 31, 2014. On a constant currency basis, comparable store sales decreased 0.8%.

Net sales attributable to the Indirect-to-Consumer North America segment decreased 3% for the year ended December 31, 2015 as compared with the year ended December 31, 2014. Our Indirect-to-Consumer North America net sales have been negatively impacted by our decision to limit our special markets business in an effort to reduce the incidences of product diversion and trans-shipping abuses that have become a more common occurrence in Asia, particularly in Japan and Korea, where the Tumi brand is becoming increasingly popular. Certain special markets customers have been a source of unauthorized product diversion in the past. While difficult to assess the financial impact of trans-shipping, we believe that it is damaging to the brand image in these emerging markets. In addition, we experienced a decline in sales to our specialty stores due to a decline in the number of our specialty store accounts as well as the discontinuation of our T-Tech line in 2014. We also experienced weaker sales within our Canadian wholesale business where we believe the strengthening U.S. dollar has had a dampening effect on the replenishment of our wholesalers' orders during the year ended December 31, 2015.

Net sales attributable to the Indirect-to-Consumer International segment increased less than 1% for the year ended December 31, 2015 as compared with the year ended December 31, 2014. In our EMEA region, strong sales growth in local currency has been negatively impacted by the adverse effect the strengthening U.S. dollar has had on our wholesale business. In our Asia-Pacific region, while we continue to see a positive response to the re-launch of our Alpha Bravo collection, sales in South Korea were negatively impacted by the MERS virus outbreak. In addition, sales in mainland China and Hong Kong were negatively impacted by the slow down of the Chinese economy.

Cost of sales

Cost of sales decreased by $0.5 million, or 0.2%, to $220.8 million for the year ended December 31, 2015 as compared to $221.2 million for the year ended December 31, 2014. In addition, gross margin increased by $20.9 million, or 6.8%, to $326.9 million for the year ended December 31, 2015 as compared to $306.0 million for the year ended December 31, 2014. The decrease in cost of sales, despite the increase in sales, was largely driven by a shift in channel mix from wholesale to retail, as well as a change in product mix during the year ended December 31, 2015.

Gross margin as a percentage of net sales is dependent upon a variety of factors including changes in relative sales mix among distribution channels, changes in the mix of product sold, the timing and level of promotional activities, fluctuations in foreign currency exchange rates, and fluctuations in material costs. These factors, among others, may cause gross margin as a percentage of net sales to fluctuate from year to year. Gross margin as a percentage of net sales was 59.7% for the year ended December 31, 2015 and 58.0% for the year ended December 31, 2014. The increase was primarily attributable to our decision to be less promotional during the year ended December 31, 2015.

In addition, we saw a shift in channel mix from wholesale to retail, as retail sales represented approximately 53.8% of total sales for the year ended December 31, 2015 compared to 51.5% in the year ended December 31, 2014, as well as a shift in product mix. We continue to expand our retail footprint as part of our long-term growth strategy and we have opened 27 new stores during the year ended December 31, 2015. We typically realize higher gross margins in our retail business as compared to our wholesale business.

Selling expense

Selling expense decreased by $2.5 million, or 6.9%, to $33.9 million for the year ended December 31, 2015 as compared to $36.4 million for the year ended December 31, 2014. This decrease was primarily driven by $1.2 million in savings from the cost reduction actions taken in the first quarter of 2015 as well as savings in other personnel related costs such as travel expenses, incentive compensation and commissions.

Marketing expense

Marketing expense increased by $1.0 million, or 5.8%, to $18.6 million for the year ended December 31, 2015 as compared to $17.5 million for the year ended December 31, 2014. The increase in marketing expense was primarily due to an increase in digital marketing during 2015. This was partially offset by the elimination of catalog mailings and a reduction in product launch promotional activity.

Retail Operations expense

Retail operations expense increased by $13.1 million, or 11.4%, to $127.8 million for the year ended December 31, 2015 as compared to $114.8 million for the year ended December 31, 2014. The increase in retail operations expense was driven primarily by the opening of 27 new stores during the year ended December 31, 2015. In addition, we recorded an impairment charge of $0.8 million related to one of our retail locations in Europe during the year ended December 31, 2015.

General and administrative expense

General and administrative expense increased by $5.9 million, or 13.4%, to $49.7 million for the year ended December 31, 2015 as compared to $43.8 million for the year ended December 31, 2014. The increase in general and administrative expense was primarily driven by the additional costs resulting from our decision to eliminate redundancies, streamline processes, and leverage fixed costs within certain selling, general and administrative functions. Of these severance and termination costs, approximately $1.0 million were included in general and administrative expenses in the year ended December 31, 2015. In addition, during 2015, we incurred approximately $1.4 million for business development activities, including the acquisition of Tumi Japan. We also increased our after sales service expense by approximately $1.0 million and incurred costs of approximately $0.8 million relating to tax planning for our Asian sourcing operations.

Operating income

The following table presents operating income (loss) by operating segment for the year ended December 31, 2015 compared with the year ended December 31, 2014.

	2015	2014	% Change
	(dollars in thousands)		
Direct-to-Consumer North America	$ 71,932	$ 69,871	3%
Direct-to-Consumer International	3,357	2,793	20%
Indirect-to-Consumer North America	44,005	41,213	7%
Indirect-to-Consumer International	48,488	45,291	7%
Non-allocated corporate expenses	(70,894)	(65,738)	(8)%
Total	$ 96,888	$ 93,430	4%

Operating income increased $3.5 million, or 4%, to $96.9 million in 2015 from $93.4 million in 2014. On a constant currency basis, operating income increased 8%. Our operating segments have benefited from continued growth in most segments, principally volume related, store openings in the Direct-to-Consumer segments, and strong performance in our Asia-Pacific region, partially offset by negative comparable store performance as well as higher retail operations expenses related to the cost of new store openings in 2015. Historically, company-owned store operating margins generally strengthen after their first year of operation. Additionally, our higher operating expenses for the year ended December 31, 2015 include additional costs resulting from our decision to eliminate redundancies, streamline processes, and leverage fixed costs within certain selling, general and administrative functions. In this regard, the Company reduced headcount and incurred related severance and termination costs in the amount of approximately $2.5 million during the year ended December 31, 2015.

Operating income attributable to the Direct-to-Consumer North America segment experienced a 3% increase for the year ended December 31, 2015 as compared with the year ended December 31, 2014. This was primarily due to growth from 22 new stores opened during the year ended December 31, 2015, partially offset by a decline in comparable store sales during 2015.

Operating income attributable to the Direct-to-Consumer International segment experienced a 20% increase for the year ended December 31, 2015 as compared with the year ended December 31, 2014. This increase was primarily due to the sales growth from our new flagship store on Regent Street in London, which opened during 2014, as well as growth in our international e-commerce business. This was partially offset by a decline in comparable store sales, which was due to the translation effect the strengthening of the U.S. dollar had on our sales denominated in Euros, as well as an impairment charge of $0.8 million related to one of our retail locations in Europe.

Operating income attributable to the Indirect-to-Consumer North America segment experienced a 7% increase for the year ended December 31, 2015 as compared with the year ended December 31, 2014. This increase was driven by higher gross margins due to less promotional activity during the year ended December 31, 2015, largely offset by a decrease in sales to specialty stores and our special markets business.

Operating income attributable to the Indirect-to-Consumer International segment experienced a 7% increase for the year ended December 31, 2015 as compared with the year ended December 31, 2014. This increase was primarily due to an increase in gross margin dollars realized during the year ended December 31, 2015, particularly in our Asia-Pacific region, as well as improved operating expense leverage in 2015.

Non-allocated corporate expenses increased 8% for the year ended December 31, 2015 as compared with the year ended December 31, 2014. This increase was primarily due to our decision to eliminate redundancies, streamline processes, and leverage fixed costs within certain selling, general and administrative functions. Of the aforementioned severance and termination costs, approximately $1.9 million were included in non-allocated corporate expenses in the year ended December 31, 2015. In addition, during 2015, we incurred approximately $1.4 million for business development activities, including the acquisition of Tumi Japan. We also increased our after sales service expense by approximately $1.0 million and incurred additional costs of approximately $0.8 million relating to tax planning for our Asian sourcing operations.

Operating margin remained consistent at 18% for the years ended December 31, 2015 and 2014, as the previously mentioned severance and termination costs related to our cost reduction program, as well as retail operations expense for new stores opened during 2015, offset some of our fixed cost leverage. Operating margin was positively impacted by an increase in sales and gross margin dollars realized due primarily to our decision to be less promotional, a shift in channel mix from wholesale to retail and a shift in product mix during the year ended December 31, 2015.

Other income and expense

Total other income, net increased $0.2 million, or 38%, to $0.6 million in 2015 from $0.4 million in 2014. This was mainly driven by an increase in earnings from our joint venture during the year ended December 31, 2015.

Income tax expense

Provision for income taxes decreased $1.4 million, or 4%, to $34.4 million in 2015 from $35.8 million in 2014, due primarily to a lower effective tax rate for the year ended December 31, 2015. The change in the effective tax rate was largely driven by the mix in foreign and domestic source pre-tax income for the year ended December 31, 2015.

Net income

Net income increased $5.0 million, or 9%, to $63.0 million in 2015 from $58.0 million in 2014. This increase was primarily driven by the increase in gross margin dollars realized as well as a lower effective tax rate, partially offset by the aforementioned increase in retail operations expense for new stores opened during 2015.

Basic and diluted weighted average shares outstanding for the years ended December 31, 2015 and 2014 were 67.9 million shares. Basic and diluted EPS was $0.93 per common share for the year ended December 31, 2015 versus $0.85 per common share for the year ended December 31, 2014.

Year ended December 31, 2014 compared with the year ended December 31, 2013

Net sales

The following table presents net sales by operating segment for the year ended December 31, 2014 compared with the year ended December 31, 2013.

	2014	2013	% Change
	(dollars in thousands)		
Direct-to-Consumer North America	$243,142	$209,214	16%
Direct-to-Consumer International	28,265	22,408	26%
Indirect-to-Consumer North America	111,191	107,303	4%
Indirect-to-Consumer International	144,596	128,513	13%
Total	$527,194	$467,438	13%

Net sales increased $59.8 million, or 13%, to $527.2 million in 2014 from $467.4 million in 2013. Net sales increased across all of our operating segments for the year ended December 31, 2014 as compared with the year ended December 31, 2013. Net sales increased due principally to an increase in volume resulting from new store openings, positive overall comparable store sales from existing stores, increased sales growth from our wholesale customers in the EMEA and Asia-Pacific regions, continued growth in both Direct-to-Consumer and Indirect-to-Consumer e-commerce and continued consumer acceptance of our lighter weight product and new product introductions. During the year ended December 31, 2014, we successfully re-launched our Alpha Travel Collection (Alpha 2), re-launched our Voyageur collection, launched our Tegra-lite Max collection and introduced seasonal colors which continue to receive positive consumer acceptance. Overall, store traffic patterns improved slightly during the year, particularly in outlets. While there were no significant price increases on existing products during the period, we did slightly raise price points on Alpha 2. The effect on net sales was immaterial. As previously disclosed, weaker than expected first quarter wholesale sales in Asia and North America had a moderating effect on these positive factors. We believe that the inclement weather in the first quarter of 2014 in certain North American markets also had a negative effect on sales. Additionally, there were 25 new company-owned store openings, 2 store relocations, 8 store renovations and 3 store closures during the year ended December 31, 2014. New stores opened during the year contributed approximately 18% of the overall sales growth from the year ended December 31, 2013 to the year ended December 31, 2014.

Net sales attributable to the Direct-to-Consumer North America segment experienced a 16% increase for the year ended December 31, 2014 as compared with the year ended December 31, 2013. North America full-price comparable store sales increased 4%, North America outlet comparable store sales increased 8% and our North America e-commerce sales increased 27%. Overall, including our e-commerce website, North America comparable store sales increased 9% for the period. Additionally, of the new stores opened during 2014, 21 were in the North America segment and contributed to approximately 23% of the net sales growth in the Direct-to-Consumer North America segment from the year ended December 31, 2013 to the year ended December 31, 2014.

Net sales attributable to the Direct-to-Consumer International segment experienced a 26% increase for the year ended December 31, 2014 as compared with the year ended December 31, 2013, with international full-price comparable store sales up 5% in US dollars and in Euros and international outlet comparable store sales up 29% in US dollars and in Euros. Our international e-commerce sales were up 31% in US dollars and in Euros. Overall, including our e-commerce websites, our international comparable store sales were up 18% in US dollars and in Euros for the period. Of the new stores opened during 2014, 4 were in Western Europe and contributed to approximately 47% of the Direct-to-Consumer International net sales growth from the year ended December 31, 2013 to the year ended December 31, 2014.

Overall, including e-commerce, comparable store sales for all Direct-to-Consumer channels increased 10% globally for the year ended December 31, 2014 as compared with the year ended December 31, 2013.

Net sales attributable to the Indirect-to-Consumer North America segment increased 4% for the year ended December 31, 2014 as compared with the year ended December 31, 2013. The Indirect-to-Consumer North America net sales have been favorably impacted by strong sales through our wholesale customers' e-commerce websites, as well as the aforementioned enthusiasm around our lightweight products and additions to our collections. This was partially offset by our decision to limit our special markets business in an effort to reduce the incidences of product diversion and trans-shipping abuses that have become a more common occurrence in Asia, particularly in Japan and South Korea, where the Tumi brand is becoming increasingly popular. Certain special markets customers have been a source of unauthorized product diversion in the past. While difficult to assess the financial impact of trans-shipping, we believe that it is damaging to the brand image in these emerging markets. In addition, Indirect-to-Consumer North America net sales were adversely affected by markdowns related to the discontinuation of the T-Tech brand and certain older SKUs in the fourth quarter of 2014, as well as a more promotional marketplace in our department store business during the holiday season. The Company also reduced certain less productive points of distribution as part of a continuing strategy to enhance brand image and presentation.

Net sales attributable to the Indirect-to-Consumer International segment increased 13% for the year ended December 31, 2014 as compared with the year ended December 31, 2013. Our Indirect-to-Consumer International net sales have been favorably impacted by strong performance in the Asia and EMEA regions and increased points of distribution in the Asia region, aided by positive reaction to new product introductions.

Cost of sales

Cost of sales increased by $22.6 million, or 11.4%, to $221.2 million for the year ended December 31, 2014 as compared to $198.6 million for the year ended December 31, 2013. In addition, gross margin increased by $37.1 million, or 13.8%, to $306.0 million for the year ended December 31, 2014 as compared to $268.8 million for the year ended December 31, 2013. The increase in cost of sales and gross margin dollars was driven by the 13% increase in net sales.

Gross margin as a percentage of net sales is dependent upon a variety of factors including changes in relative sales mix among distribution channels, changes in the mix of product sold, the timing and level of promotional activities, fluctuations in foreign currency exchange rates, and fluctuations in material costs. These factors, among others, may cause gross margin as a percentage of net sales to fluctuate from year to year. Gross margin as a percentage of net sales was 58.0% for the year ended December 31, 2014 and 57.5% for the year ended December 31, 2013. The increase was primarily attributable to a shift in channel mix from wholesale to retail. We continue to expand our retail footprint as part of our long-term growth strategy and we opened 25 new retail stores in 2014. We typically realize higher gross margins in our retail business as compared to our wholesale business, and as retail becomes a relatively greater percentage of our sales we would expect that shift in our sales mix to have a positive impact on gross margin.

Selling expense

Selling expense increased by $7.6 million, or 26.2%, to $36.5 million for the year ended December 31, 2014 as compared to $28.9 million for the year ended December 31, 2013. Of the increase in selling expense, $2.6 million was attributed to the cost of our human resource base, particularly driven by the Company's investment in product management and selling personnel in the Asia-Pacific region and $0.6 million was attributable to additional rent expense related to expansion of our New York and Hong Kong offices. In addition, $2.6 million of the increase in selling expense was driven by depreciation related to the Company's increase in brand presentation investments across our distribution network.

Marketing expense

Marketing expense increased by $0.2 million, or 1.0%, to $17.5 million for the year ended December 31, 2014 as compared to $17.4 million for the year ended December 31, 2013. The increase in marketing expense was primarily driven by an increase in digital marketing spend during 2014.

Retail Operations expense

Retail operations expense increased by $16.0 million, or 16.2%, to $114.8 million for the year ended December 31, 2014 as compared to $98.7 million for the year ended December 31, 2013. The increase in retail operations expense was driven primarily by the opening of 25 new stores in 2014 and the incremental investment of approximately $1.2 million in human resources and third party services required to support the transition of our web stores to a more insourced model.

General and administrative expense

General and administrative expense increased by $6.3 million, or 16.8%, to $43.8 million for the year ended December 31, 2014 as compared to $37.5 million for the year ended December 31, 2013. The increase in general and administrative expense was primarily driven by an increase in after sales service costs of approximately $1.0 million, an increase in our warehousing costs of approximately $0.6 million, investment of approximately $1.5 million in our legal and finance resources as well as related outside service fees to help accommodate our growth, and investment in product design and creative talent of approximately $0.9 million.

Operating income

The following table presents operating income (loss) by operating segment for the year ended December 31, 2014 compared with the year ended December 31, 2013.

	2014	2013	% Change
	(dollars in thousands)		
Direct-to-Consumer North America	$ 69,871	$ 62,485	12%
Direct-to-Consumer International	2,793	2,941	(5)%
Indirect-to-Consumer North America	41,213	40,637	1%
Indirect-to-Consumer International	45,291	39,829	14%
Non-allocated corporate expenses	(65,738)	(59,529)	(10)%
Total	$ 93,430	$ 86,363	8%

Operating income increased $7.1 million, or 8%, to $93.4 million in 2014 from $86.4 million in 2013. Overall, our operating income has benefited from continued volume related growth, store openings in the Direct-to-Consumer segments, strong performance in the Asia and EMEA regions and strong sales through our wholesale customers' e-commerce websites. During 2014, we continued to invest in the Company's logistics capabilities, design resources, product management, IT infrastructure and human resource base.

Operating income attributable to the Direct-to-Consumer North America segment experienced a 12% increase for the year ended December 31, 2014 as compared with the year ended December 31, 2013. This was primarily due to growth in our comparable stores and growth from stores opened during 2013, partially offset by new store expenses as well as renovations in 2014. Historically, company-owned store operating margins generally strengthen after their first year of operation. In addition, we had strong growth in our e-commerce sales, partially offset by the incremental investment of approximately $2.2 million required to support the transition of our web stores to a more insourced model, which we expect to improve functionality and efficiency.

Operating income attributable to the Direct-to-Consumer International segment experienced a 5% decrease for the year ended December 31, 2014 as compared with the year ended December 31, 2013. This decrease was principally related to the pre-opening expenses and start-up costs for our new flagship store on Regent Street in London, as well as our new store in Marseille, France, both of which opened in the second quarter of 2014.

Operating income attributable to the Indirect-to-Consumer North America segment experienced a 1% increase for the year ended December 31, 2014 as compared with the year ended December 31, 2013. This was primarily due to the mix of sales in the channel. Operating margin was positively impacted by strong sales through our wholesale customers' e-commerce websites. Sales in our specialty stores and special markets business were down during the year ended December 31, 2014, both of which are generally strong from a margin perspective.

Operating income attributable to the Indirect-to-Consumer International segment experienced a 14% increase for the year ended December 31, 2014 as compared with the year ended December 31, 2013. This increase was primarily due to an increase in gross margin dollars resulting from strong sales growth during the year, partially offset by additional investment in personnel and infrastructure in Asia of approximately $0.7 million.

Non-allocated corporate expenses increased 10% for the year ended December 31, 2014 as compared with the year ended December 31, 2013. This increase was primarily due to the addition of several designers, creative talent and product management personnel to help support our existing product lines and to aid in the development of our expanded product line. These aforementioned investments resulted in approximately $2.2 million of additional cost in the the year ended December 31, 2014. We have also invested approximately $1.5 million in our legal and finance resources, as well as related outside service fees to help accommodate our growth, and $1.0 million in our after sales service capabilities. In addition, we invested in our logistics capabilities in Western Europe by moving to an expanded warehouse facility to serve our growing business in the EMEA region, while continuing to operate our existing warehouse in transition, which resulted in incremental costs of approximately $0.4 million during the year ended December 31, 2014.

Operating margin remained consistent at 18% for the years ended December 31, 2014 and 2013, as the previously mentioned investments in our human resource base and our insourced web stores, which launched during the fourth quarter of 2014, as well as retail operations expense for new stores and the wrap effect of stores opened in 2014, offset some of our fixed cost leverage.

Other income and expense

Total other income, net increased $0.7 million, or 260%, to income of $0.4 million in 2014 from expense of $0.3 million in 2013. The overall increase was attributable to a reduction of interest expense due to the full repayment of debt in the second quarter of 2014.

Income tax expense

Provision for income taxes increased $4.3 million, or 14%, to $35.8 million in 2014 from $31.5 million in 2013, due principally to higher income before taxes, as well as a higher effective tax rate for the year ended December 31, 2014. The change in the effective tax rate was largely driven by the change in apportionment percentages for state purposes for the year ended December 31, 2014. Additionally, in 2013 we received the benefit of a $0.4 million reversal of an unrecognized tax benefit.

Net income

Net income increased $3.5 million, or 6%, to $58.0 million in 2014 from $54.6 million in 2013. This increase was due largely to the increase in net sales and gross margin dollars, partially offset by the aforementioned higher operating expenses which reflect the incremental personnel and professional services investment required to support the transition of our web stores to a more insourced model, as well as higher retail operations expenses related to new stores opened in 2014.

Basic and diluted weighted average shares outstanding for the years ended December 31, 2014 and 2013 were 67.9 million shares. Basic and diluted EPS was $0.85 per common share for the year ended December 31, 2014 versus $0.80 per common share for the year ended December 31, 2013.

Seasonality

Our business is seasonal in nature and as a result, our net sales and working capital requirements fluctuate from quarter to quarter. Our fourth quarter is a significant period for our results of operations due to increased Direct-to-Consumer sales during the holiday season in North America and Europe. We expect inventory levels, along with an increase in accounts payable and accrued expenses, to reach their highest levels in anticipation of the increased net sales during this period. In each of 2015 and 2014, fourth quarter net sales represented approximately 31% of our total annual net sales. Operating income in each of the same periods represented approximately 40% of our total annual operating income.

Liquidity and Capital Resources

Historically, our primary source of liquidity has been cash flows from operations. Our long-term credit facility has not historically been used to finance our capital requirements, but instead was used to refinance acquisition indebtedness originally incurred when Doughty Hanson and certain members of management at that time acquired the Company in 2004. We have from time to time drawn down on our revolving line of credit as short-term liquidity needs arise. We use our cash flows from operations to fund our store development activities.

Inflationary factors such as increases in the cost of sales, including raw materials costs and transportation costs, may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain our gross margin levels and our current levels of selling expenses and general and administrative expenses as a percentage of net sales if the sale prices of our products do not increase with any increase in cost of sales.

We believe we have sufficient working capital and liquidity to support our operations for at least the next twelve months.

Cash and cash equivalents

At December 31, 2015, 2014 and 2013, we had cash and cash equivalents of $94.6 million, $52.8 million and $37.6 million, respectively. A summary of our cash flows provided by and used in operating, investing and financing activities is presented below.

Cash flows from operating activities

Cash flows from operating activities consisted primarily of net income adjusted for certain non-cash items, including depreciation and amortization, share-based compensation expense, loss on disposal of fixed assets and other non-cash charges. Our cash flows from operations are largely dependent on sales to consumers and wholesale customers, which are in turn dependent on consumer confidence, store traffic, conversion, business travel and general economic conditions. We believe we have the ability to conserve liquidity when economic conditions become less favorable through any number of strategies including curtailment of store expansion plans and cutting discretionary spending.

We generated cash flows from operations of $81.4 million and $60.5 million during the years ended December 31, 2015 and December 31, 2014, respectively. The principal reason for this increase was an improvement in working capital, as well as higher net income during the year ended December 31, 2015.

We generated cash flows from operations of $60.5 million and $63.2 million during the years ended December 31, 2014 and December 31, 2013, respectively. The principal reason for the decrease was the prepayments made for our estimated income taxes.

Investing activities

Cash flows used for investing activities consisted of capital expenditures for store expansion plans, store renovations, store openings, store relocations, information technology infrastructure, distribution infrastructure and product tooling costs.

Cash used for capital expenditures was $30.8 million and $36.6 million for the years ended December 31, 2015 and 2014, respectively. The principal drivers for this decrease were the investment in our Regent Street, London store and the expansion of our New York showroom and New Jersey office space in 2014. Capital expenditures for the year ended December 31, 2016 are expected to be in the range of $23.0 million to $28.0 million.

Cash used for capital expenditures was $36.6 million and $25.4 million for the years ended December 31, 2014 and 2013, respectively. The increase was due principally to the investment in our insourced web platform and stores opened or renovated during 2014 as well as stores expected to open in the first quarter of 2015.

Financing activities

Cash flows used for financing activities was $8.5 million and $8.0 million for the years ended December 31, 2015 and 2014, respectively. Financing activities in 2015 consisted of the repurchase of shares of our outstanding common stock under the share repurchase program.

Cash flows used for financing activities was $8.0 million and $37.0 million for the years ended December 31, 2014 and 2013, respectively. The decrease was mainly attributable to lower repayments of bank debt during the year ended December 31, 2014, during which the balance outstanding was paid in full.

Amended credit facility

The Amended Credit Facility consolidated the term loan facility and the revolving credit facility previously provided in the Company's former debt facility with Wells Fargo into a single $70,000,000 senior secured revolving credit facility, with Wells Fargo as the sole lender, and extended the maturity of the facility until April 4, 2017. The Amended Credit Facility includes a letter of credit sublimit not to exceed $5,000,000.

Borrowings under the Amended Credit Facility bear interest at a per annum rate equal to, at the Borrowers' option, the one, two, three or six month (or such other period as Wells Fargo may agree) LIBOR rate plus a margin of 1.00% or 1.25%, or a base rate (the greater of (i) Wells Fargo's prime rate in effect on such day and (ii) the federal funds rate plus 1/2 of 1.00%) plus a margin of zero or 0.25%. The Borrowers are required to pay an undrawn commitment fee equal to 0.15% or 0.20% of the undrawn portion of the commitments under the Amended Credit Facility, as well as customary letter of credit fees. The margin added to the LIBOR, or base rate, as well as the amount of the commitment fee, depends on the Company's leverage at the time. Interest is payable monthly, bi-monthly or quarterly on LIBOR rate loans depending on the interest period for each LIBOR rate loan, or quarterly on base rate loans.

As of December 31, 2015 and December 31, 2014, the Company had no balance outstanding under the Amended Credit Facility. Letters of credit outstanding totaled $384,000 and $286,000 at December 31, 2015 and 2014, respectively, and accordingly, the unused portion of the facility was $69,616,000 and $69,714,000, respectively. The fee for the unused portion of the facility was $105,000 and $104,000 for the years ended December 31, 2015 and 2014, respectively.

All obligations under the Amended Credit Facility are required to be guaranteed by each of the Borrowers' material domestic subsidiaries, subject to certain exclusions. The obligations under the Amended Credit Facility are secured by substantially all of the Borrowers' assets and, if applicable, those of the Borrowers' subsidiary guarantors. Currently the Borrowers do not have any subsidiary guarantors.

The Amended Credit Facility contains customary events of default, including, but not limited to, payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults under material debt, certain events of bankruptcy and insolvency, defaults based on certain judgments, failure of any material provision of any loan document to be in full force and effect, change of control, and certain ERISA defaults. If an event of default were to occur and continue, amounts due under the Amended Credit Facility would be accelerated and the commitments to extend credit thereunder terminated, and the rights and remedies of Wells Fargo under the Amended Credit Facility available under the applicable loan documents could be exercised, including rights with respect to the collateral securing the obligations under the Amended Credit Facility.

The foregoing summaries of certain provisions of the Amended Credit Facility do not purport to be complete and are qualified in their entirety by reference to the full text of the Amended Credit Facility.

Share Repurchase Program

On November 4, 2015, the Company announced that its Board of Directors authorized the repurchase of up to $150 million of the Company's common stock over the next twelve months. Under the program, the Company may purchase its shares from time to time in the open market or in privately negotiated transactions. The Company expects that purchases will be funded through existing cash on hand, cash from operations, borrowings or a combination of the foregoing. The amount and timing of the purchases will depend on a number of factors including the price and availability of the Company's shares, trading volume and general market conditions. Repurchases may also be made under a Rule 10b5-1 plan, which would permit shares to be repurchased when the Company might otherwise be precluded from doing so under insider trading laws. The share repurchase program may be suspended or discontinued at any time.

During the fourth quarter of 2015, the Company repurchased 485,400 shares of its outstanding common stock at an average price of $17.42 per share for a total of approximately $8,454,000. As of December 31, 2015, the remaining availability under the Company's share repurchase program was approximately $141,546,000. All repurchased shares of common stock have been accounted for as treasury stock at cost.

Acquisition of Japanese Joint Venture

On November 4, 2015, the Company announced that it had entered into an agreement to acquire the remaining 50% stake in its Japanese joint venture, Tumi Japan, from its partners, for a purchase price of 521 million yen (approximately $4.3 million). Tumi Japan operates a network of 13 Tumi stores, an e-commerce website, and distributes Tumi products across an additional 150 points of sale in Japan. The Company funded the acquisition through cash on-hand and the transaction closed during the first quarter of 2016.

Contractual Obligations

The following table represents our obligations and commitments to make future payments under contracts, such as lease agreements and debt obligations, and under contingent commitments as of December 31, 2015:

	Payments due by period				
	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
	(in millions)				
Minimum lease payments[1]	$38.9	$71.3	$62.2	$103.9	$276.3
Purchase obligations[2]	59.1	—	—	—	59.1
Total	$98.0	$71.3	$62.2	$103.9	$335.4

(1) Our store leases generally have initial lease terms of 10 years and include renewal options upon substantially the same terms and conditions as the original lease. We had no material construction commitments for leasehold improvements at December 31, 2015, 2014 and 2013, respectively.

(2) Purchase obligations represent an estimate of open purchase orders and contractual obligations in the ordinary course of business for which the Company has not received the goods or services. Although open purchase orders are considered enforceable and legally binding, the terms generally allow us the option to cancel, reschedule, and adjust our requirements based on our business needs prior to the delivery of goods or performance of services.

Off-Balance Sheet Arrangements

We have not entered into any off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Our discussion and analysis of financial condition and results of operations is based upon our audited consolidated financial statements which have been prepared in accordance with GAAP. The preparation of these financial statements requires estimates and judgments that affect the reported amounts of our assets, liabilities, net sales and operating expenses and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and various other assumptions we believe to be reasonable given the circumstances and we evaluate these estimates on an ongoing basis. Actual results may differ from these estimates under different assumptions or conditions.

We believe that our critical accounting policies and estimates require us to make difficult, subjective or complex judgments about matters that are inherently uncertain. See Note 1 to our audited consolidated financial statements, which are included elsewhere in this report, for a complete discussion of our significant accounting policies. The following reflect the significant estimates and judgments used in the preparation of our consolidated financial statements.

Revenue recognition

Revenue is generated from the sale of our products and is classified as "net sales" in our consolidated statements of operations. We recognize revenue in our Direct-to-Consumer segments, including e-commerce, when inventory is received by the customer and the related title passes. Revenue related to concession and consignment locations is recognized when inventory is received by the end customer and the related title passes. In our Indirect-to Consumer segments (which includes wholesale arrangements), revenue related to partner stores, shop-in-shops and Tumi-defined corners, each of which is owned and operated by an independent third-party wholesaler, is recognized when inventory is in possession of the wholesale customers or their appointed carriers, at which point the related title passes. Provisions for discounts, rebates to customers and returns are recorded as a reduction of net sales in the same period as the related sale. Revenue associated with gift cards is recognized upon redemption. Determining our provision for discounts, rebates and returns requires significant judgment based on historical information and estimates of future activity.

Accounts receivable and allowance for doubtful accounts

We determine our allowance for doubtful accounts for accounts receivable by considering a number of factors including the length of time trade receivables are past due, our previous loss history, our customer's current ability to pay its obligation and the condition of the general economy and the industry as a whole. Unanticipated events and circumstances may occur that affect the accuracy or validity of such assumptions, estimates or actual results.

Inventories

Inventories consist primarily of finished goods and are valued at the lower of cost or market. Cost is recorded using the first-in, first-out method. Inventory includes material, labor, overhead, freight, and duty and is adjusted for allowances for slow-moving and obsolete inventory. Slow-moving and obsolete inventory is determined through an evaluation of both historical usage and expected future demand.

Income taxes

We utilize the asset and liability method of accounting for income taxes, under which deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. The effect on deferred taxes of a change in tax rates is recognized in net income in the period that includes the enactment date. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

We apply the provisions of the FASB's guidance relating to uncertain tax positions. We utilize the two step process to determine the amount of recognized tax benefit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority.

Goodwill and intangible assets

Goodwill represents the excess of the purchase price over the fair value of net assets acquired, including intangible assets. Indefinite-lived intangible assets consist of brand/trade name. Goodwill and brand/trade name are not being amortized in accordance with the provisions of the FASB's guidance, which requires these assets to be tested for impairment annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Our annual impairment testing date is the first day of our fourth quarter. No impairment was recognized in the years ended December 31, 2015, 2014 and 2013.

The quantitative goodwill impairment test, if necessary, is a two-step process. Under the first of two steps, the Company compares the fair value of a reporting unit to its carrying amount, including goodwill, to identify a potential impairment. If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for such reporting unit and the enterprise must perform step two of the impairment test to measure the impairment, if any. Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation: the fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill.

The Company uses techniques including discounted expected future cash flows (Level 3 input), or DCF, to test goodwill. Indefinite-lived intangible assets are tested for impairment through an income approach known as the relief from royalty method. A discounted cash flow analysis calculates the fair value by estimating the after-tax cash flows attributable to a reporting unit or asset and then discounting the after-tax cash flows to a present value using a risk-adjusted discount rate. Assumptions used in DCF and the relief from royalty method require the exercise of significant judgment including judgment about appropriate royalty rates, discount rates and terminal values, growth rates and the amount and timing of expected future cash flows. Although the Company believes the historical assumptions and estimates made are reasonable and appropriate, different assumptions and estimates could materially impact its reported financial results.

The Company's reporting units for the purpose of goodwill impairment testing are our reportable business segments: (i) Direct-to-Consumer North America, (ii) Indirect-to-Consumer North America, (iii) Direct-to-Consumer International and (iv) Indirect-to-Consumer International. The reporting units were determined in accordance with the guidance on reportable segments in FASB ASC 280-10-50-1. There is no discrete financial information available to the Company for its operations below our reportable business segments.

Warranties

We provide our customers with a product warranty subsequent to the sale of our products. Our warranty policy provides for one year of worry-free service as well as an additional warranty against manufacturers' defects or flaws in construction for between two and five years, depending on the product line. We recognize estimated costs associated with the limited warranty at the time of sale of our products. The warranty reserve is based on historical experience.

Recently Issued Accounting Pronouncements

As discussed in Note 2—Summary of Significant Accounting Policies to our consolidated financial statements included in this Annual Report on Form 10-K, we have considered all new accounting pronouncements and have concluded that there are no new pronouncements that we expect to have a material impact on our results of operations, financial condition, or cash flows, based on current information.

Financial Statement Components

Net sales

Net sales consists of revenue from the sale of products, less returns, discounts and allowances and other offsets to net sales. In our Direct-to-Consumer segments, revenue is recognized when a consumer purchase occurs and the consumer receives the merchandise. In our Indirect-to-Consumer segments, revenue is recognized when inventory is in possession of our wholesale customers or their appointed carriers, at which point the risk and related title passes. Provisions for discounts, rebates to consumers and returns are recorded as a reduction of net sales in the same period as the related sale. Revenue associated with gift cards is recognized upon redemption. Revenue from gift cards and the amount of revenue recognized for gift cards not redeemed ("breakage") is immaterial to our results of operations. Amounts billed to customers for delivery costs are classified as a component of net sales, and any other related delivery costs are classified as a component of cost of sales. Sales and value added tax collected from consumers and remitted to governmental authorities are accounted for on a net basis and are excluded from net sales on our consolidated results of operations.

Comparable store sales are calculated based on our company-owned stores that have been open for at least a full calendar year as of the end of our annual reporting period. For example, a store opened in October 2015 will not impact the comparable store comparison until January 1, 2017. Additionally, temporary store closings, store expansions and store relocations are excluded from the comparable store base under most circumstances. There may be variations in the way in which some of our competitors and other retailers calculate comparable or "same store" sales. As a result, data in this Annual Report on Form 10-K regarding our comparable store sales may not be comparable with similar data made available by other companies.

Cost of sales

Cost of sales includes the cost of finished goods purchased from our suppliers plus the cost of freight to deliver the product to our distribution centers, packaging and related duties and applicable overhead incurred to bring the merchandise to its condition for sale. Gross margin is defined as net sales less the cost of sales.

Operating expenses

Operating expenses consist of selling, marketing, retail operations and general and administrative expenses.

Selling. Selling expenses consist of wholesale-related salaries, benefits, commissions, incentive programs, concession fees, travel and entertainment, meetings and seminars and other selling costs and expenses, in each case related to our global wholesale business.

Marketing. Marketing expenses consist of in-store and consumer advertising, marketing-related salaries and benefits, travel and entertainment, lease-required advertising, consumer catalogs, market research and other consulting costs and expenses related to marketing.

Retail operations. Retail operations expenses include occupancy and staffing costs associated with our company-owned stores, store depreciation expense, costs for our e-commerce websites, depreciation on point-of-sale fixtures, travel and entertainment, meetings and seminars, insurance and other related administrative costs and expenses.

General and administrative. General and administrative expenses consist of product development costs related to tools, dies, design and travel; warehousing and distribution costs; costs associated with running our global distribution network such as occupancy and employment expenses; costs associated with warranty and after-sales service such as employee and repair-related expenses and warranty claims; employee-related costs associated with our executive, finance, information technology, legal and human resource functions; costs associated with our corporate headquarters and product showrooms; and legal, tax and accounting fees.

Operating income

Operating income consists of gross margin less operating expenses, and excludes other income and expenses (i.e., non-operating income and expenses).

Other income (expenses)

Interest expense. Interest expense consists of interest payments made pursuant to our amended credit facility with, among others, Wells Fargo, as well as amortization of deferred financing costs, net of minimal interest income.

Earnings from joint venture investment. Earnings from joint venture investment relate exclusively to Tumi Japan, a joint venture (corporation) in which we held a 50% interest and which sells Tumi products in 13 retail stores and to various high-end wholesale customers in Japan. During the first quarter of 2016, we completed our acquisition of the remaining 50% stake in Tumi Japan.

Foreign exchange gains (losses). Foreign currency exposures arise in our branch offices and subsidiaries in Europe where transactions are denominated in a currency other than the U.S. dollar. Gains and losses such as those resulting from the settlement of receivables and payables denominated in foreign currency are included in the earnings of the current period in "foreign exchange gains (losses)." We are also exposed to foreign currency exchange rate fluctuations with respect to our European operations as a result of its U.S. dollar-denominated historical rate intercompany loan balance. We believe that exposure to adverse changes in exchange rates associated with revenues and expenses of our foreign branch offices and subsidiaries are immaterial to our consolidated financial statements. Gains and losses arising from currency exchange rate fluctuations on intercompany transactions deemed to be long-term in nature remain in other comprehensive income.

Other non-operating income (expenses). Other non-operating income (expenses) includes all other non-operating income and expenses.

Provision for income taxes

We record income tax expenses related to federal, state, local and foreign income.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in foreign currency exchange rates and interest rates. We do not currently hold or issue financial instruments for trading purposes, although we have in the past entered into interest rate hedges for the purposes of limiting our exposure to fluctuations in interest rates.

Foreign currency exchange risk

Although the majority of our international net sales are billed and collected in U.S. dollars, our European sales are billed and collected in Euros, and we are therefore subject to risk associated with exchange rate fluctuations. During 2015, 2014, and 2013 we recorded gains related to the exchange rate fluctuation effect on remittances from our European affiliates and other transactions relating to our international operations of $427,000, $475,000, and $388,000, respectively. Because a portion of our net sales (approximately 8% in 2015 and 10% in each of 2014 and 2013) are denominated in Euros, exchange rate fluctuations can have an impact on our reported net sales. For example, if the U.S. dollar strengthens against the Euro, this could have a negative effect on our European operating results when those results are translated into U.S. dollars. Any hypothetical loss in net sales could be partially or completely offset by lower selling expenses and general and administrative expenses that are generated in Euros.

Substantially all of our purchases from our foreign suppliers are denominated in U.S. dollars. A precipitous decline in the value of the U.S. dollar could cause our foreign suppliers to seek price increases on the goods they supply to us. This could impact our gross margin if market conditions prevent us from passing those costs on to consumers. We do not currently use the derivative markets to hedge foreign currency fluctuations but may in the future consider entering into derivative financial instruments to mitigate losses associated with these risks. We do not, and do not intend to, engage in the practice of trading derivative securities for profit.

Interest rate risk

Amended credit facility. Under the Amended Credit Facility, borrowings bear interest payable quarterly or, in the case of loans subject to the LIBOR rate, monthly, bi-monthly or quarterly depending on the interest period for such loans. Borrowings under the Amended Credit Facility will bear interest at a per annum rate equal to, at our option, the one, two, three or six-month (or such other period as Wells Fargo may agree) LIBOR rate plus a margin of 1.00% or 1.25%, or a base rate plus a margin of zero or 0.25%. The margin added to the LIBOR, or base rate, will depend on our leverage at the time. Accordingly, under the Amended Credit Facility, we continue to be exposed to market risk from changes in the underlying variable interest rates, which affect our cost of borrowings. We carefully monitor the interest rates on our borrowings under the Amended Credit Facility. As of December 31, 2015, we had no balance outstanding under the Amended Credit Facility.

We do not currently have any interest rate hedging activities in place, but we may in the future engage in hedging activities, based on, among other things, market conditions. We do not, and do not intend to, engage in the practice of trading derivative securities for profit. A 10% increase in the applicable interest rate would not have had a material effect on interest expense to us under the Amended Credit Facility.

Inflation

Inflationary factors such as increases in the cost of sales, including raw materials costs and transportation costs, may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain our gross margin levels and our current levels of selling expenses and general and administrative expenses as a percentage of net sales if the sale prices of our products do not increase proportionately with any increase in cost of sales.

CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) designed to provide reasonable assurance that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow for timely decisions regarding required disclosure. We recognize that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving desired control objectives. Judgment is required when designing and evaluating the cost-benefit relationship of potential controls and procedures.

As of the end of the period covered by this report, with the supervision and participation of management, including our CEO and CFO, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our CEO and CFO have concluded that, as of December 31, 2015, our disclosure controls and procedures were effective at the reasonable assurance level.

Internal Control over Financial Reporting

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal controls over financial reporting (as defined in Rules 13a-15(f) and 15(d)-15(f) of the Exchange Act). The Company's internal control system was designed to provide reasonable assurance to the Company's management and Board regarding the preparation and fair presentation of published financial statements. Management evaluated the effectiveness of the Company's internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission in Internal Control—Integrated Framework in 2013. Management, under the supervision and with the participation of the Company's CEO and CFO, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2015 and concluded that it is effective.

Deloitte & Touche LLP, an independent registered public accounting firm, has audited the effectiveness of our internal control over financial reporting and has issued an attestation report as of December 31, 2015, which appears on page F-2 of this report.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

4. The following is an extract of the management discussion and analysis of the results of Tumi for the three months ended March 27, 2016 from the 2016 first quarterly report of Tumi.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with Tumi Holdings, Inc.'s (together with its subsidiaries, "Tumi", the "Company", "we", "us", and "our") condensed consolidated financial statements and notes thereto included elsewhere in this report. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from management's expectations. See "Cautionary Note Regarding Forward-Looking Statements" for further information regarding forward-looking statements. We generally identify forward-looking statements by words such as "anticipate," "estimate," "expect," "intend," "project," "plan," "predict," "believe," "seek," "continue," "outlook," "may," "might," "will," "should," "can have," "likely" or the negative version of these words or comparable words. Factors that can cause actual results to differ materially from those reflected in the forward-looking statements include, among others, those discussed in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on February 25, 2016. We urge you not to place undue reliance on these forward-looking statements, which reflect management's analysis, judgment, belief or expectation only as of the date hereof. We expressly disclaim any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by applicable securities laws and regulations. Historical results are not necessarily indicative of the results expected for any future period.

The reporting periods for our unaudited quarterly financial information are based on the first month of each fiscal quarter including five Sundays and the second and third months of each fiscal quarter including four Sundays, with the fourth fiscal quarter always ending on December 31. Accordingly, the three-month reporting periods for the unaudited interim condensed consolidated financial statements included herein commenced on January 1, 2016 and January 1, 2015 and ended on March 27, 2016 and March 29, 2015, respectively.

Executive Overview

We are a leading, growing, global, premium lifestyle brand whose products offer superior quality, durability and innovative design. We offer a comprehensive line of travel and business products and accessories in multiple categories. We design our products for, and market our products to, sophisticated professionals, frequent travelers and brand-conscious individuals who enjoy the premium status of Tumi products. We sell our products through a network of company-owned full-price stores and outlet stores, partner stores, concessions, shop-in-shops, specialty luggage shops, high-end department stores and e-commerce distribution channels. We have approximately 2,100 points of distribution in over 75 countries, and our global distribution network is enhanced by the use of our four logistics facilities located in the United States, Europe and Asia. We design our products in our U.S. design studios and selectively collaborate with well-known, international, industrial and fashion designers for limited edition product lines. Production is sourced globally through a network of suppliers based principally in Asia, many of which are longtime suppliers, and in the Caribbean.

We have expanded our global presence by successfully implementing our growth strategies, which have included opening additional company-owned stores and increasing wholesale points of distribution. Our net sales increased from $110.5 million in the three months ended March 29, 2015 to $118.3 million in the three months ended March 27, 2016. The increase was primarily driven by incremental revenue from consolidating Tumi Japan which was acquired during the first quarter of 2016. Our ability to expand our points of distribution and to grow our net sales in existing stores has been driven by increasing demand for our products, as well as growing recognition of the Tumi brand. We have also increased our focus on our women's line and on increasing our overall online presence.

In recent years, the travel products industry has seen a trend in consumer preferences towards lighter weight luggage and travel accessories, as well as merchandise that makes mobile computing and communication more convenient. In light of these trends, we have developed products that fulfill those identified needs, such as our Vapor-Lite and Tegra-Lite lines, as well as a variety of mobile electronic accessories designed for frequent travelers. Additionally, we have seen an increase in the relative percentage of our net sales derived from our premium product line and updates of our core product line, and a decrease in the relative percentage of our net sales derived from our legacy core product line in recent years.

We believe there is a significant opportunity to continue to expand our store base globally, and we plan to add new company-owned and partner stores in upscale malls and prestigious street venues. We had 3 new company-owned store openings in the quarter ended March 27, 2016. We currently expect to continue to open company-owned stores, both in North America and internationally, in the foreseeable future. Most of the locations we have identified for new company-owned stores are for full-price stores, while the remaining locations are for outlet stores. We also believe there are opportunities to open additional stores in airport locations as well as luxury casinos.

We believe we have the capacity to increase our Indirect-to-Consumer net sales, both in North America and internationally. We plan to continue to grow in key Asian markets, particularly China. We also plan to increase the number of wholesale doors in key European markets, including Germany, France and the United Kingdom, and to expand wholesale distribution in Central and South America, while also expanding our product portfolio offered in existing wholesale doors. We believe there is also significant opportunity to open additional points of distribution in airport locations in many of these regions. In North America, we expect to grow net sales by increasing our wholesale door presence, expanding our accessories business in department stores, targeting the assortment of products available to third party e-commerce providers and increasing penetration of the Canadian market through department stores, specialty stores, e-commerce sales and new distribution partners.

We generally expect the payback of our investment in a new company-owned store to occur in less than two and a half years. Over the long-term, we also believe we can increase our average net sales per square foot by continuing to improve store efficiency and increase our overall net sales by capitalizing on our flexible distribution model. We will continue to look for ways to improve our capital efficiency in both current and new markets in the future.

Merger Agreement with Samsonite

On March 3, 2016, Tumi Holdings, Inc. (the "Company") entered into an Agreement and Plan of Merger (the "Merger Agreement") with Samsonite International S.A., a public limited liability company (société anonyme) incorporated and governed by the laws of the Grand-Duchy of Luxembourg ("Samsonite"), and PTL Acquisition Inc., a Delaware corporation and an indirect wholly owned subsidiary of Samsonite ("Merger Sub").

The Merger Agreement provides that, among other things and in accordance with the terms and subject to the conditions thereof, Merger Sub will be merged with and into the Company (the "Merger") with the Company continuing as the surviving corporation in the Merger, and, at the effective time of the Merger (the "Effective Time"), each outstanding share of common stock of the Company, par value $0.01 per share ("Company Common Stock") (other than shares owned by the Company or any of its subsidiaries or Samsonite or any of its subsidiaries (including Merger Sub), which shall be cancelled, and any Dissenting Shares (as defined in the Merger Agreement)), will automatically be cancelled and converted into the right to receive $26.75 in cash, without interest (the "Merger Consideration").

At the Effective Time and, in each case, in respect of those outstanding immediately prior to the Effective Time, whether vested or unvested, automatically and without any required action on the part of the holder thereof and less any applicable Taxes (as defined in the Merger Agreement) required to be withheld, (i) each Company Stock Option (as defined in the Merger Agreement) shall be cancelled and shall only entitle the holder of such Company Stock Option to receive (without interest) an amount in cash equal to the product of (x) the total number of shares of Company Common Stock subject to the Company Stock Option multiplied by (y) the excess, if any, of the Merger Consideration over the per-share exercise price of such Company Stock Option; provided that any such Company Stock Option with respect to which the per-share exercise price subject thereto is equal to or greater than the Merger Consideration shall be cancelled in exchange for no consideration, (ii) each Company Service RSU (as defined in the Merger Agreement) shall be cancelled and shall only entitle the holder of such Company Service RSU to receive (without interest) an amount in cash equal to the product of (x) the total number of shares of Company Common Stock subject to the Company Service RSU multiplied by (y) the Merger Consideration and (iii) each Company Performance RSU (as defined in the Merger Agreement) shall be cancelled and shall only entitle the holder of such Company Performance RSU to receive (without interest) an amount in cash equal to the product of (x) the total number of shares of Company Common Stock subject to the Company Performance RSU (assuming target-level performance) multiplied by (y) the Merger Consideration.

The Board of Directors of the Company has unanimously (1) determined that the Merger Agreement and the Merger are fair to and in the best interests of the Company and its stockholders, (2) approved the execution, delivery and performance of the Merger Agreement and (3) resolved to recommend adoption of the Merger Agreement by the stockholders of the Company, who will be asked to vote on the adoption of the Merger Agreement at a special stockholders meeting that will be held on a date to be announced.

The closing of the Merger is subject to customary closing conditions, including adoption of the Merger Agreement by the affirmative vote of the holders of at least a majority of all outstanding shares of Company Common Stock entitled to vote thereon and the absence of a Company Material Adverse Effect (as defined in the Merger Agreement) after the date of the Merger Agreement. Consummation of the Merger also is subject to approval of the Merger Agreement and the transactions contemplated thereby, including the Merger, by an ordinary resolution of the shareholders of Samsonite. Consummation of the Merger is not subject to a financing condition.

Tumi Japan Acquisition

On January 4, 2016, the Company acquired the remaining interest in Tumi Japan, from its partners, for a purchase price of 521 million yen (approximately $4.2 million). As a result of acquiring the remaining interest in Tumi Japan, the Company began consolidating Tumi Japan into its operations during the first quarter of 2016. In 2016, Tumi Japan's retail business is included in the Company's Direct-to-Consumer International segment and its wholesale business is included in the Company's Indirect-to-Consumer International segment. The acquisition provides the Company with direct control over its operations in Japan and will allow it to better manage opportunities in the region.

Growth Strategy

The key elements of our growth strategy are:

- *Expand our store base.* We believe there continues to be significant opportunity for us to expand our company-owned retail store network in North America and internationally. We plan to add new stores in upscale mall market locations and prestigious street venues where we are currently underrepresented as well as open our own travel retail stores. In addition, we selectively target the affluent and business markets in small and mid-sized cities where there is demonstrated foot traffic and an established Tumi consumer base that is not being sufficiently served by multi-brand travel goods and accessories retailers. We also believe there is further opportunity to develop company-owned outlet stores in premium outlet malls where we currently do not have a presence. Our store-opening strategy focuses on opening profitable company-owned retail locations, as well as retail locations that enhance our brand image. We have opened 102 company-owned stores since January 1, 2011 (11 stores in 2011, 19 stores in 2012, 17 stores in 2013, 25 stores in 2014, 27 stores in 2015 and 3 stores in the three months ended March 27, 2016), and, as part of our Tumi Japan acquisition, we added 13 additional stores in the first quarter of 2016, bringing our total to 192 company-owned stores as of March 27, 2016. While we may be unable to successfully open new company-owned stores according to plan, we have identified several locations for new company-owned stores and believe we have a market opportunity to continue to expand our company-owned store base over the long term.

- *Expand wholesale distribution globally.* We currently sell products in approximately 1,900 wholesale doors in over 75 countries. We plan to continue expanding wholesale distribution globally, with a focus on key markets in Asia (including mainland China, India, Japan and South Korea), Eastern Europe and Central and South America. As part of this strategy, we will continue to develop relationships with wholesale distributors in these attractive geographies (in both new and existing markets) and increase wholesale and distribution opportunities as well as expand into additional airport locations worldwide. We expect this distribution expansion will take several forms as appropriate for the specific market opportunity, including Tumi shop-in-shops, Tumi-defined corners within existing wholesale accounts or concession and consignment arrangements.

- *Continue to increase our brand awareness.* We seek to increase our brand awareness among our targeted consumer base through retail and wholesale distribution expansion, select marketing initiatives, new product lines and selective licensing in brand extensions. In the wholesale distribution channel, we target distribution expansion by increasing the number of our partner stores where we can control the consumer experience. We will continue to focus on in-store marketing, and we plan to effectively utilize our website, social networking sites and other online forms of communication to build consumer knowledge of the Tumi brand. We believe increasing brand awareness will lead to greater foot traffic in our current locations, enable us to continue expanding our loyal consumer base and ultimately contribute to enhanced growth and profitability.

- *Broaden the appeal of our products through new product introductions.* We seek to design products that are innovative, functional and stylish. We anticipate introducing new products in lighter weight and durable materials, colors which appeal to women and men, premium products with a classic or contemporary design, as well as stylish and durable products at more accessible price points for our younger consumer. We also plan to continue to introduce new products to our successful brand extension lines, including eyewear, belts, outerwear, electronics and other accessories.

- *Improve our store operations.* We continue to focus on improving store efficiency, primarily through our retail performance maximization program (the "RPM program") which was implemented in 2009. The RPM program emphasizes training and staff development programs and the effective use of visual merchandising and fixtures. Our goal is to continue to increase net sales per store by increasing conversion rates and units and dollars per transaction, while enhancing the consumer experience.

- *Expand our e-business.* Our e-commerce business consists of our websites and certain of our wholesale customers' e-commerce websites. This online presence is an extension of our brand and points of distribution, serving both as an informational resource and a complementary sales channel for our consumers. We expect sales from this channel to grow as consumers become more aware of our e-commerce capabilities and we continue to expand our online transactional presence into new markets. We transitioned our North America web store to a more insourced model during the fourth quarter of 2014 and our international web stores to a more insourced model during the first quarter of 2015. We believe this will improve our websites' functionality and efficiency in the future.

Key Performance Indicators

Key performance indicators that we use to manage our business and evaluate our financial results and operating performance are average net sales per square foot and "constant currency" performance measures.

Average net sales per square foot, which relates to company-owned stores only, provides us with a measure to evaluate our store sales trends and to assess the operational performance of our stores. Average net sales per square foot is calculated using net sales for the last twelve months for all stores open for the full twelve months. This measure is supplemented by a number of non-financial operating metrics related to store performance, which provide benchmarks against which to evaluate store efficiencies but are not considered by management to be reliable financial metrics.

While average net sales per square foot have increased over time, in the current period average net sales per square foot decreased by approximately \$19, or 2%, to \$987 as of March 27, 2016 from \$1,006 as of December 31, 2015. This decrease was primarily due to negative North America full-price comparable store sales.

We also refer to certain financial metrics on a "constant currency" basis so that the business results can be viewed without the impact of translating foreign currencies into U.S. dollars and the impact of currency rate changes on foreign currency denominated transactions, thereby facilitating period-to-period comparisons of our business performance. Generally, when the dollar either strengthens or weakens against other currencies, metrics at constant currency rates or adjusting for currency will be higher or lower than results reported at actual exchange rates.

"Constant currency" performance measures are not measures presented in accordance with U.S. GAAP. Undue reliance should not be placed on these measures as our only measures of operating performance. Constant currency performance measures have limitations as analytical tools. When assessing our operating performance, investors should not use constant currency performance measures in isolation or as substitutes for operating income, net income or net sales.

Reconciliation of Constant Currency Financial Measures
(In thousands, except per share data)

	Three months ended			% Change	
	March 27, 2016		March 29, 2015		
	As Reported	Constant Currency	As Reported	As Reported	Constant Currency
Net sales	$118,342	$119,061	$110,461	7.1%	7.8%
Operating income	$ 7,761	$ 8,129	$ 9,563	(18.8)%	(15.0)%
Operating income margin	6.6%	6.8%	8.7%		
Net income	$ 7,903	$ 8,123	$ 6,374	24.0%	27.4%
Diluted earnings per share	$ 0.12	$ 0.12	$ 0.09	24.8%	28.2%

Constant currency amounts exclude both the impact of translating foreign currencies into U.S. dollars and the impact of currency rate changes on foreign currency denominated transactions.

Results of Operations

The following tables set forth condensed consolidated operating results and other operating data for the periods indicated:

Operating results

	Three Months Ended	
	March 27, 2016	March 29, 2015
	(In thousands)	
Net sales	$118,342	$110,461
Cost of sales	48,992	45,190
Gross margin	69,350	65,271
OPERATING EXPENSES		
Selling	9,395	8,636
Marketing	4,777	4,287
Retail operations	33,552	29,258
General and administrative	13,865	13,527
Total operating expenses	61,589	55,708
Operating income	7,761	9,563
OTHER INCOME (EXPENSES)		
Interest expense	(28)	(105)
Gain on existing joint venture investment	3,480	—
Earnings from joint venture investment	—	212
Foreign exchange gains (losses)	(441)	318
Other non-operating expenses	(11)	(182)
Total other income	3,000	243
Income before income taxes	10,761	9,806
Provision for income taxes	2,858	3,432
Net income	$ 7,903	$ 6,374

Percentage of Net Sales*

	Three Months Ended	
	March 27, 2016	March 29, 2015
Net sales	100%	100%
Cost of sales	41%	41%
Gross margin	59%	59%
OPERATING EXPENSES		
Selling	8%	8%
Marketing	4%	4%
Retail operations	28%	26%
General and administrative	12%	12%
Total operating expenses	52%	50%
Operating income	7%	9%
OTHER INCOME (EXPENSES)		
Interest expense	—%	—%
Gain on existing joint venture investment	3%	—%
Earnings from joint venture investment	—%	—%
Foreign exchange gains (losses)	—%	—%
Other non-operating expenses	—%	—%
Total other income	3%	—%
Income before income taxes	9%	9%
Provision for income taxes	2%	3%
Net income	7%	6%

* The percentages in the table may not foot due to rounding.

The following tables summarize the number of company-owned stores open at the beginning and the end of the periods indicated:

Direct-to-Consumer North America

	March 27, 2016	March 29, 2015
Number of stores open at beginning of period	154	133
Stores opened	1	1
Stores closed	—	—
Number of stores open at end of period	155	134

Direct-to-Consumer International

	March 27, 2016	March 29, 2015
Number of stores open at beginning of period	23	19
Stores opened	2	2
Stores added from Tumi Japan acquisition	13	—
Stores closed	(1)	—
Number of stores open at end of period	37	21

Three months ended March 27, 2016 compared with the three months ended March 29, 2015

Net Sales

The following table presents net sales by operating segment for the three months ended March 27, 2016 compared with the three months ended March 29, 2015:

	Three Months Ended March 27, 2016	Three Months Ended March 29, 2015	% Change
	(In thousands)		
Direct-to-Consumer North America	$ 57,168	$ 52,002	10%
Direct-to-Consumer International	12,750	6,499	96%
Indirect-to-Consumer North America	18,872	22,236	(15)%
Indirect-to-Consumer International	29,552	29,724	(1)%
Total	$118,342	$110,461	7%

Net sales increased $7.9 million, or 7%, to $118.3 million for the three months ended March 27, 2016 from $110.5 million for the three months ended March 29, 2015. The increase in net sales was primarily driven by incremental revenue from consolidating Tumi Japan during the first quarter of 2016. In addition, there were 27 new stores opened since the first quarter of 2015 (not including stores added from the Tumi Japan acquisition), which contributed to approximately 63% of the overall sales growth experienced from the three months ended March 29, 2015 to the three months ended March 27, 2016. There were 3 new company-owned store openings, 1 store relocation, 2 store renovations and 1 store closure during the three months ended March 27, 2016. Consumer response to several new product initiatives also contributed to our growth, and we saw growth in sales in our women's category as well as our premium product collections. Additionally, net sales were negatively impacted during the period by softer sales in our specialty store and department store businesses as well as our Canadian wholesale business.

Net sales attributable to the Direct-to-Consumer North America segment experienced a 10% increase for the three months ended March 27, 2016 as compared with the three months ended March 29, 2015. Of the 27 new stores opened since the first quarter of 2015, 22 were in the North America segment and comprised approximately 81% of the net sales growth experienced in the Direct-to-Consumer North America segment from the three months ended March 29, 2015 to the three months ended March 27, 2016. Comparable store sales are calculated based on our company-owned stores that have been open for at least a full calendar year as of the end of our annual reporting period. For example, a store opened in October 2015 will not impact the comparable store comparison until January 1, 2017. Additionally, temporary store closings, store expansions and store relocations are excluded from the comparable store base under most circumstances. Overall, North America comparable store sales increased 0.1% for the period. North America full-price comparable store sales decreased 3.5%, North America outlet comparable store sales increased 5.4% and our North America e-commerce sales increased 4.0%.

Net sales attributable to the Direct-to-Consumer International segment experienced a 96% increase for the three months ended March 27, 2016 as compared with the three months ended March 29, 2015. This increase in net sales was primarily driven by incremental revenue from consolidating Tumi Japan during the first quarter of 2016. Additionally, of the 27 new stores opened since the first quarter of 2015, 5 were in our International segment and comprised approximately 12% of the net sales growth experienced in the Direct-to-Consumer International segment from the three months ended March 29, 2015 to the three months ended March 27, 2016. Overall, our international comparable store sales increased 7.5% (10.0% in Euros) for the period. Our international full-price comparable store sales increased 2.7% (5.1% in Euros) and outlet comparable store sales were up 5.0% (7.5% in Euros). Our international e-commerce sales increased 33.6% (36.8% in Euros).

Overall, comparable store sales for all Direct-to-Consumer channels increased 0.8% globally for the three months ended March 27, 2016 as compared with the three months ended March 29, 2015.

Net sales attributable to the Indirect-to-Consumer North America segment decreased 15% for the three months ended March 27, 2016 as compared with the three months ended March 29, 2015. Our Indirect-to-Consumer North America net sales have been negatively impacted by a decline in sales in our specialty store business due primarily to a decline in the number of our specialty store accounts, as well as softness in our department store business largely due to weaker traffic trends in these locations.

Net sales attributable to the Indirect-to-Consumer International segment decreased 1% for the three months ended March 27, 2016 as compared with the three months ended March 29, 2015. In our Asia-Pacific region, net sales were negatively impacted during the three months ended March 27, 2016 as we did not anniversary our Tegra-lite launch, which benefited sales during the first quarter of 2015.

Cost of sales

Cost of sales increased by $3.8 million, or 8.4%, to $49.0 million for the three months ended March 27, 2016 as compared to $45.2 million for the three months ended March 29, 2015. In addition, gross margin increased by $4.1 million, or 6.2%, to $69.4 million for the three months ended March 27, 2016 as compared to $65.3 million for the three months ended March 29, 2015. The increase in cost of sales and gross margin dollars was primarily driven by the 7.1% increase in net sales.

Gross margin as a percentage of net sales is dependent upon a variety of factors including changes in relative sales mix among distribution channels, changes in the mix of product sold, the timing and level of promotional activities, fluctuations in foreign currency exchange rates, and fluctuations in material costs. These factors, among others, may cause gross margin as a percentage of net sales to fluctuate from year to year. Gross margin as a percentage of net sales was 58.6% for the three months ended March 27, 2016 and 59.1% for the three months ended March 29, 2015. The decrease was primarily attributable to lower margins from Tumi Japan during the three months ended March 27, 2016. This decrease was partially offset by a shift in channel mix from wholesale to retail, as retail sales represented approximately 59.1% of total sales for the three months ended March 27, 2016 compared to 53.0% in the three months ended March 29, 2015. We continue to expand our retail footprint as part of our long-term growth strategy and we have opened 27 new stores since the first quarter of 2015. We typically realize higher gross margins in our retail business as compared to our wholesale business.

Selling expense

Selling expense increased by $0.8 million, or 8.8%, to $9.4 million for the three months ended March 27, 2016 as compared to $8.6 million for the three months ended March 29, 2015. This was primarily due to an increase of approximately $1.5 million attributable to consolidating Tumi Japan. Additionally, included in the three months ended March 29, 2015 was $0.7 million in severance costs compared to $0.1 million in the three months ended March 27, 2016.

Marketing expense

Marketing expense increased by $0.5 million, or 11.4%, to $4.8 million for the three months ended March 27, 2016 as compared to $4.3 million for the three months ended March 29, 2015. The increase in marketing expense was primarily due to additional expenses from consolidating Tumi Japan of approximately $0.5 million.

Retail Operations expense

Retail operations expense increased by $4.3 million, or 14.7%, to $33.6 million for the three months ended March 27, 2016 as compared to $29.3 million for the three months ended March 29, 2015. The increase in retail operations expense was primarily driven by the opening of 27 new stores since the first quarter of 2015, as well as an increase of approximately $1.9 million attributable to consolidating Tumi Japan.

General and administrative expense

General and administrative expense increased by $0.3 million, or 2.5%, to $13.9 million for the three months ended March 27, 2016 as compared to $13.5 million for the three months ended March 29, 2015. This increase was primarily attributable to consolidating Tumi Japan, as well as expenses related to the merger agreement with Samsonite. This increase was partially offset by lower severance costs during the three months ended March 27, 2016. During both the three months ended March 27, 2016 and the three months ended March 29, 2015 we incurred additional costs resulting from our decision to eliminate redundancies, streamline processes, and leverage fixed costs within certain selling, general and administrative functions. In this regard, the Company reduced headcount and incurred related severance and termination costs in the amount of approximately $0.5 million and $1.3 million during the first quarter of 2016 and 2015, respectively.

Operating income

The following table presents operating income (loss) by segment for the three months ended March 27, 2016 as compared with the three months ended March 29, 2015:

	Three Months Ended March 27, 2016	Three Months Ended March 29, 2015	% Change
	(In thousands)		
Direct-to-Consumer North America	$ 11,781	$ 10,834	9%
Direct-to-Consumer International	790	145	445%
Indirect-to-Consumer North America	7,298	8,645	(16)%
Indirect-to-Consumer International	7,120	8,933	(20)%
Non-allocated corporate expenses	(19,228)	(18,994)	(1)%
Total	$ 7,761	$ 9,563	(19)%

Operating income decreased $1.8 million, or 19%, to $7.8 million for the three months ended March 27, 2016 from $9.6 million for the three months ended March 29, 2015. Our decrease in operating income reflects a decrease of approximately $1.8 million attributable to consolidating Tumi Japan. We also saw a decrease in operating income from our Indirect-to-Consumer North America segment, primarily due to the decline in sales and gross margin dollars in this segment which were particularly impacted by softer sales in our specialty store and department store businesses. This was partially offset by growth in our Direct-to-Consumer segments, largely related to new store openings as well as positive comparable store sales during the three months ended March 27, 2016.

Operating income attributable to the Direct-to-Consumer North America segment experienced a 9% increase for the three months ended March 27, 2016 as compared with the three months ended March 29, 2015. This was primarily due to growth in our outlet comparable store sales, as well as growth from our e-commerce websites.

Operating income attributable to the Direct-to-Consumer International segment increased 445% for the three months ended March 27, 2016 as compared with the three months ended March 29, 2015. This was primarily due to an increase in operating income of approximately $0.5 million attributable to consolidating Tumi Japan, as well as growth from our international e-commerce websites.

Operating income attributable to the Indirect-to-Consumer North America segment experienced a decrease of 16% for the three months ended March 27, 2016 as compared with the three months ended March 29, 2015. This was largely due to the decline in sales and gross margin dollars in this segment which were particularly impacted by softer sales in our specialty store and department store businesses, as well as our Canadian wholesale business.

Operating income attributable to the Indirect-to-Consumer International segment experienced a 20% decrease for the three months ended March 27, 2016 as compared with the three months ended March 29, 2015. This was primarily due to a decrease in operating income of approximately $1.0 million attributable to consolidating Tumi Japan, as well as softer sales in our Asia-Pacific region.

Non-allocated corporate expenses represent expenses not attributable to a particular operating segment, and consist of core corporate expenses such as corporate marketing, design, general and administrative expenses, after sales service costs, shipping and warehousing, human resources related to corporate overhead, finance, legal and professional fees and other costs. As we expand our business, we believe general and administrative expenses will increase in dollar amount in future periods, although we expect to leverage these expenses against sales as the business grows. Non-allocated corporate expenses increased 1% for the three months ended March 27, 2016 as compared with the three months ended March 29, 2015. This increase was primarily attributable to consolidating Tumi Japan, as well as expenses related to the merger agreement with Samsonite, partially offset by the aforementioned lower severance costs during the three months ended March 27, 2016.

Operating margin was 7% for the three months ended March 27, 2016 as compared to 9% for the three months ended March 29, 2015, as the previously mentioned impact of consolidating Tumi Japan, as well as retail operations expense for new stores and the wrap effect (expenses for stores for which there were little or no expenses in the comparable prior period) of stores opened since the first quarter of 2015, offset some of our fixed cost leverage.

Other income and expenses

Other income and expenses, net increased $2.8 million to $3.0 million for the three months ended March 27, 2016 from $0.2 million for the three months ended March 29, 2015. This increase was primarily driven by the gain on our existing joint venture investment recorded in connection with the Tumi Japan acquisition, during the first quarter of 2016.

Income tax expense

Provision for income taxes decreased $0.6 million, or 17%, to $2.9 million in the three months ended March 27, 2016 from $3.4 million in the three months ended March 29, 2015. This was primarily due to the benefit from the pre-tax gain on our existing joint venture investment recorded in connection with our Tumi Japan acquisition, which is non-taxable. This benefit has been recorded as a discrete item for the three months ended March 27, 2016.

Net income

Net income increased $1.5 million to $7.9 million for the three months ended March 27, 2016 from $6.4 million for the three months ended March 29, 2015. This increase was primarily driven by the increase in net sales and gross margin dollars realized, partially offset by the aforementioned impact of consolidating Tumi Japan, as well as retail operations expense for new stores and the wrap effect of stores opened since the first quarter of 2015.

Basic and diluted weighted average shares outstanding were 67.5 million and 67.9 million shares for the three months ended March 27, 2016 and March 29, 2015, respectively. Basic and diluted EPS was $0.12 per common share for the three months ended March 27, 2016 versus $0.09 per common share for the three months ended March 29, 2015.

Seasonality

Our business is seasonal in nature and, as a result, our net sales and working capital requirements fluctuate from quarter to quarter. Our fourth quarter is a significant period for our results of operations due to increased Direct-to-Consumer sales during the holiday season in North America and Europe. In 2015, fourth quarter net sales represented approximately 31% of our total annual net sales. Operating income in the same period represented 40% of our total annual operating income. During the fourth quarter, the Company expects inventory levels, accounts payable and accrued expenses to increase commensurate with net sales.

Liquidity and Capital Resources

Historically, our primary source of liquidity has been cash flows from operations. Our long-term credit facility has not historically been used to finance our capital requirements, but instead was used to refinance acquisition indebtedness originally incurred when Doughty Hanson and certain members of management at that time acquired the Company in 2004. We have from time to time drawn down on our revolving line of credit as short-term liquidity needs arise. We use our cash flows from operations to fund our store development and overall growth activities. In addition, we funded the Tumi Japan acquisition through cash on-hand.

Inflationary factors such as increases in the cost of sales, including raw materials costs and transportation costs, may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain our gross margin levels and our current levels of selling expenses and general and administrative expenses as a percentage of net sales if the sale prices of our products do not increase with any increase in cost of sales.

We believe we have sufficient working capital and liquidity to support our operations for at least the next twelve months.

Cash and cash equivalents

As of March 27, 2016, we had cash and cash equivalents of $102.0 million. A summary of our cash flows provided by and used in operating, investing and financing activities is presented below.

Cash flows from operating activities

Cash flows from operating activities consisted primarily of net income adjusted for certain non-cash items, including depreciation and amortization, share-based compensation expense, gain on acquisition of joint venture investment, loss on disposal of fixed assets and other non-cash charges. Our cash flows from operations are largely dependent on sales to consumers and wholesale customers, which are in turn dependent on consumer confidence, store traffic, conversion, business travel and general economic conditions. We believe we have the ability to conserve liquidity when economic conditions become less favorable through any number of strategies including curtailment of store expansion plans and cutting discretionary spending.

We generated cash flows from operations of $4.1 million during the three months ended March 27, 2016, compared to $12.0 million during the three months ended March 29, 2015. The decrease was primarily driven by a decrease in accounts payable and accrued expenses as of March 27, 2016, largely related to the timing of vendor payments.

Investing activities

Cash flows used for investing activities consisted of capital expenditures for store expansion plans, store renovations, store openings, store relocations, information technology infrastructure, distribution infrastructure and product tooling costs, as well as the Tumi Japan acquisition.

Cash used for investing activities was $2.7 million and $8.1 million for the three months ended March 27, 2016 and March 29, 2015, respectively. Capital expenditures for the year ended December 31, 2016 are expected to be in the range of $23.0 million to $28.0 million.

Financing activities

Cash flows provided by financing activities was $5.6 million for the three months ended March 27, 2016. Financing activities during the three months ended March 27, 2016 consisted primarily of borrowings and payments under the Tumi Japan Credit Facilities and notes payable, as well as proceeds received from options exercised during the first quarter of 2016.

Amended and restated credit facility

The Amended Credit Facility consolidated the term loan facility and the revolving credit facility previously provided in the Company's former credit facility into a single $70,000,000 senior secured revolving credit facility, with Wells Fargo as the sole lender, and extended the maturity of the facility until April 4, 2017. The Amended Credit Facility includes a letter of credit sublimit of $5,000,000.

Borrowings under the Amended Credit Facility bear interest at a per annum rate equal to, at the Borrowers' option, the one, two, three or six month (or such other period as Wells Fargo may agree) LIBOR rate plus a margin of 1.00% or 1.25%, or a base rate (the greater of (i) Wells Fargo's prime rate in effect on such day and (ii) the federal funds rate plus 1/2 of 1.00%) plus a margin of zero or 0.25%. The Borrowers are required to pay an undrawn commitment fee equal to 0.15% or 0.20% of the undrawn portion of the commitments under the Amended Credit Facility, as well as customary letter of credit fees. The margin added to LIBOR, or the base rate, as well as the amount of the commitment fee, depends on Tumi, Inc.'s leverage at the time. Interest is payable monthly, bi-monthly or quarterly on LIBOR rate loans depending on the interest period for each LIBOR rate loan, or quarterly on base rate loans.

As of March 27, 2016 and December 31, 2015, the Company had no balance outstanding under the Amended Credit Facility. Letters of credit outstanding at March 27, 2016 and December 31, 2015 totaled $384,000 under the Amended Credit Facility and, accordingly, the unused portion of the Amended Credit Facility was $69,616,000. The fee for the unused portion of the Amended Credit Facility was $26,000 for the three months ended March 27, 2016 and March 29, 2015.

All obligations under the Amended Credit Facility are required to be guaranteed by each of the Borrowers' material domestic subsidiaries, subject to certain exclusions. The obligations under the Amended Credit Facility are secured by substantially all of the Borrowers' assets and, if applicable, those of the Borrowers' subsidiary guarantors. Currently, the Borrowers do not have any subsidiary guarantors.

The Amended Credit Facility contains customary covenants, including, but not limited to, limitations on the ability of the Borrowers and their subsidiaries to incur additional debt and liens, dispose of assets, and make certain investments and restricted payments, including the prepayment of certain debt and cash dividends. In addition, the Amended Credit Facility contains financial covenants requiring that the Borrowers maintain (a) a minimum ratio of consolidated adjusted EBITDA to consolidated cash interest expense (as such terms are defined in the Amended Credit Facility) of not less than 4.00 to 1.00 and (b) a maximum ratio of consolidated total debt to consolidated adjusted EBITDA of no greater than 2.25 to 1.00. The Borrowers were in compliance with all such covenants as of March 27, 2016.

The Amended Credit Facility also contains customary events of default, including, but not limited to, payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults under material debt, certain events of bankruptcy and insolvency, defaults based on certain judgments, failure of any material provision of any loan document to be in full force and effect, change of control, and certain ERISA defaults. If an event of default were to occur and continue, amounts due under the Amended Credit Facility could be accelerated and the commitments to extend credit thereunder terminated, and the rights and remedies of Wells Fargo under the Amended Credit Facility available under the applicable loan documents could be exercised, including rights with respect to the collateral securing the obligations under the Amended Credit Facility.

The foregoing summaries of certain provisions of the Amended Credit Facility do not purport to be complete and are qualified in their entirety by reference to the full text of the Amended Credit Facility, which is incorporated by reference as exhibit 10.3b to our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on February 25, 2016.

Tumi Japan Credit Facilities

Tumi Japan has uncommitted credit facilities with regional branches of Bank of Tokyo-Misubishi UFJ and Resona Bank, Ltd. (the "Tumi Japan Credit Facilities.") These credit facilities are subject to annual renewal and may be used to fund the general working capital and corporate needs of Tumi Japan. Borrowings under the Tumi Japan Credit Facilities are granted at the sole discretion of the Banks, subject to availability of the Banks' funds and satisfaction of certain regulatory requirements. The Tumi Japan Credit Facilities do not contain any financial covenants. Details of the Tumi Japan Credit Facilities are as follows:

- Bank of Tokyo-Mitsubishi UFJ Credit Facility—provides a revolving line of credit of up to 100,000,000 yen. Borrowings under the Credit Facility bear interest at a per annum rate equal to the Japanese interest rate plus a margin of 0.850%.
- Resona Bank Ltd. Credit Facility—provides a revolving line of credit of up to 500,000,000 yen. Borrowings under the Credit Facility bear interest at a per annum rate equal to the Japanese interest rate plus a margin of 1.00%.

As of March 27, 2016 the Company had $2,654,000 outstanding under the Tumi Japan Credit Facilities.

Notes Payable

Tumi Japan enters into promissory note arrangements with its banks. The notes are non-interest bearing and are generally contractually due three months after the issuance date. There were no guarantees or collateral held against the notes.

Share Repurchase Program

On November 4, 2015, the Company announced that its Board of Directors authorized the repurchase of up to $150 million of the Company's common stock over the next twelve months. Under the program, the Company may purchase its shares from time to time in the open market or in privately negotiated transactions. The Company expects that purchases will be funded through existing cash on hand, cash from operations, borrowings or a combination of the foregoing. The amount and timing of the purchases will depend on a number of factors including the price and availability of the Company's shares, trading volume and general market conditions. Repurchases may also be made under a Rule 10b5-1 plan, which would permit shares to be repurchased when the Company might otherwise be precluded from doing so under insider trading laws. The share repurchase program may be suspended or discontinued at any time.

There were no repurchases made during the first quarter of 2016. As of March 27, 2016, the remaining availability under the Company's share repurchase program was approximately $141,546,000. All repurchased shares of common stock have been accounted for as treasury stock at cost.

As part of the Merger Agreement with Samsonite, the Company agreed that during the executory period beginning on March 3, 2016, the date of the Merger Agreement, and ending on the earlier of the termination of the Merger Agreement, per its terms, and the effective time of the merger, it would not repurchase any shares of its capital stock.

Contractual Obligations

There have been no material changes to the contractual obligations table included in our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on February 25, 2016.

Off-Balance Sheet Arrangements

We have not entered into any off-balance sheet arrangements.

Critical Accounting Policies and Estimates

There have been no material changes to the description of our critical accounting policies and estimates included in our Annual Report on Form 10-K for the year ended December 31, 2015 as filed with the SEC on February 25, 2016.

Recently Issued Accounting Pronouncements

Except as discussed in Note 2—Summary of Significant Accounting Policies to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, we have considered all new accounting pronouncements and have concluded that there are no new pronouncements that we expect to have a material impact on our results of operations, financial condition, or cash flows, based on current information.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The quantitative and qualitative disclosures about market risk required by this item have not changed materially from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on February 25, 2016. For a discussion of our exposure to market risk, refer to Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," contained in our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on February 25, 2016.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative and unaudited pro forma consolidated statement of assets and liabilities as at December 31, 2015 of the Enlarged Group (the "**Unaudited Pro Forma Financial Information**"), which has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below, for the purpose of illustrating the effect of the Merger as if it had taken place on December 31, 2015.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and is based on a number of assumptions, estimates and uncertainties and currently available information. Because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Merger been completed as of December 31, 2015 or as of any future date.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared based on (i) the audited consolidated statement of financial position of the Group as at December 31, 2015, which has been extracted from the Company's annual report for the year ended December 31, 2015; (ii) Tumi's Unaudited Adjusted Financial Information under the Company's Accounting Policies as at December 31, 2015 as set out in Appendix II of this Circular, and adjusted on a pro forma basis to reflect the effect of the Merger, as described in the accompanying notes. These pro forma adjustments are (i) directly attributable to the Merger and not relating to other future events or decisions and (ii) factually supportable. All excess purchase price over the book value of Tumi's net assets has been shown as goodwill as the Company has not performed a valuation of the fair value of the identifiable assets acquired and liabilities assumed.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the Company's annual report for the year ended December 31, 2015, the historical financial information of Tumi as set out in Appendix II to this circular and other financial information included elsewhere in this circular.

Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group

(In US$ thousands)	Consolidated statement of assets and liabilities of the Company as of December 31, 2015	Consolidated statement of assets and liabilities of Tumi as of December 31, 2015	Adjustment	Adjustment	Adjustment	Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as of December 31, 2015
	Note 1	Note 2	Note 3	Note 4	Note 5	
Non-Current Assets						
Property, plant and equipment	186,083	83,501				269,584
Goodwill	297,360	142,773		1,378,082		1,818,215
Other intangible assets	762,411	135,225				897,636
Deferred tax assets	50,752	771				51,523
Other assets and receivables	25,159	6,346				31,505
Total non-current assets	1,321,765	368,616	—	1,378,082	—	3,068,463
Current Assets						
Inventories	349,076	99,688				448,764
Trade and other receivables	283,495	35,977				319,472
Prepaid expenses and other assets	80,702	13,031				93,733
Cash and cash equivalents	180,803	94,632	(27,000)	47,796	(98,000)	198,231
Total current assets	894,076	243,328	(27,000)	47,796	(98,000)	1,060,200
Total assets	2,215,841	611,944	(27,000)	1,425,878	(98,000)	4,128,663
Non-Current Liabilities						
Loans and borrowings	57	—		1,925,000	(62,000)	1,863,057
Employee benefits	38,523	—				38,523
Non-controlling interest put options	55,829	—				55,829
Deferred tax liabilities	106,240	45,632				151,872
Other liabilities	4,403	12,775				17,178
Total non-current liabilities	205,052	58,407	—	1,925,000	(62,000)	2,126,459
Current Liabilities						
Loans and borrowings	62,724	—		(48,174)		14,550
Employee benefits	59,139	7,288				66,427
Trade and other payables	442,141	67,686				509,827
Current tax liabilities	47,399	615				48,014
Total current liabilities	611,403	75,589	—	(48,174)	—	638,818
Total liabilities	816,455	133,996	—	1,876,826	(62,000)	2,765,277

Notes:

(1) The amounts are from the audited consolidated statement of financial position of the Company as at December 31, 2015 as set out in the 2015 annual report of the Company.

(2) The amounts are extracted from Tumi's Unaudited Adjusted Financial Information under the Company's Accounting Policies as set out in Appendix II to this circular as at December 31, 2015.

(3) The adjustment represents the payment of certain costs associated with the Merger that will be paid by Tumi prior to Closing.

(4) Pursuant to the Merger Agreement, the Merger Consideration for the acquisition is US$1,829.0 million. The Merger Consideration is calculated based on the assumptions that the Company will acquire 67,661,362 common shares of Tumi (which represents 100% of the issued and outstanding common shares of Tumi) at US$26.75 for each common share, as well as the settlement of 1,031,827 outstanding share options and 518,845 outstanding restricted share units as of May 31, 2016.

The adjustment contemplates that the Company will finance the acquisition with term loans in the amount of US$1,925.0 million. In conjunction with the financing, the Company will be retiring the outstanding balance on its revolving facility of US$48.2 million as of December 31, 2015.

The difference between the Merger Consideration of US$1,829.0 million for the acquisition of the entire equity interest of Tumi and the carrying amount of the net assets acquired of Tumi at December 31, 2015 of US$477.9 million, adjusted for the payment of US$27.0 million for certain acquisition-related costs per note 3 above, results in the recognition of goodwill in the amount of US$1,378.1 million for the Enlarged Group.

The adjustments reflect the allocation of the cost of the Merger to the identifiable assets acquired and liabilities assumed by the Group. Upon the completion of the Merger, the identifiable assets and liabilities of Tumi will be accounted for in the consolidated financial statements of the Enlarged Group at their fair values as required by the acquisition method in accordance with IFRS 3 (Revised) “Business Combinations” (IFRS 3). The amount of goodwill and the fair value of the identifiable assets and liabilities of Tumi that will be recognized are subject to (i) the completion of a valuation of the fair value of the identifiable assets acquired and liabilities assumed of Tumi and (ii) the financial position of Tumi at Closing. For the purposes of the preparation of the Unaudited Pro Forma Financial Information, it is assumed that the fair value of the net identifiable assets acquired is equal to the carrying amount of the net assets of Tumi. Since the fair value of the identifiable assets acquired and liabilities assumed at Closing may be substantially different from their respective values used in the Unaudited Pro Forma Financial Information (including intangible assets), the final amount of assets, liabilities and resulting goodwill arising at Closing may be materially different than the amount presented above.

The Directors of the Company have assessed whether there is any impairment on the goodwill arising from the Merger recorded in the Unaudited Pro Forma Financial Information in accordance with the requirements set out in IAS 36 “Impairment of Assets” (IAS 36) and concluded that there is no impairment in respect of the goodwill. The Directors of the Company confirmed that they will apply consistent accounting policies and principal assumptions to assess the impairment of the provisional goodwill in subsequent reporting periods in accordance with the requirements of IAS 36.

(5) The adjustment represents the use of US$98.0 million for acquisition-related costs related to the Merger. The Company has assumed that approximately US$36.0 million is charged to the income statement of the Enlarged Group and US$62.0 million represents the original issue discount and other financing-related costs that will be deferred and offset against loans and borrowings to be amortized over the life of the term loans.

(6) No adjustment has been made to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to December 31, 2015.

B. REPORT FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report received from KPMG LLP, Independent Registered Public Accounting Firm, United States, for inclusion in this circular, in respect of the unaudited pro forma financial information of the Enlarged Group.

KPMG

KPMG LLP
60 South Street
Two Financial Center
Boston, MA 02111
United States

June 28, 2016

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF SAMSONITE INTERNATIONAL S.A.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information by the directors (the "**Directors**") of Samsonite International S.A. (the "**Company**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at December 31, 2015 and related notes as set out on pages III-1 to III-3 of the circular dated June 28, 2016 (the "**Circular**") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages III-1 to III-3 to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of Tumi Holdings, Inc. (the "**Merger**") on the assets and liabilities of the Company and its subsidiaries (collectively the "**Group**") as at December 31, 2015 as if the Merger had taken place at December 31, 2015. As part of this process, information about the Group's financial position as at December 31, 2015 has been extracted by the Directors from the consolidated financial statements of the Company for the year then ended, on which an audit report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm has complied with the Quality Control Standards of the American Institute of Certified Public Accountants ("**AICPA**").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA and Professional Standards AT Section 401—"Reporting on Pro Forma Financial Information" issued by the AICPA. These standards require that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at December 31, 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

a) the unaudited pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG LLP

Boston, MA, USA

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company.

The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

As of Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares or underlying shares or debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register kept by the Company under Section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") of the Listing Rules were as follows:

(a) Long Position in Shares

Name of Director	Nature of interest	Number of Shares held	Approximate shareholding %
Timothy Charles Parker	Beneficial owner	60,475,844 *(Note 1)*	4.2%
Ramesh Dungarmal Tainwala	Beneficial owner	16,476,798 *(Note 2)*	1.1%
Kyle Francis Gendreau	Beneficial owner and founder of a discretionary trust	7,382,105 *(Note 3)*	0.5%
Tom Korbas	Beneficial owner	2,190,292 *(Note 4)*	0.1%
Keith Hamill	Beneficial owner	193,745	0.0%
Bruce Hardy McLain (Hardy)	Beneficial owner	883,400	0.0%
Ying Yeh	Beneficial owner	3,000	0.0%

Notes:

(1) The 60,475,844 Shares comprise 28,142,740 Shares held by Mr. Parker and 28,142,740 Shares held by his spouse, Ms. Therese Charlotte Christiaan Marie Parker, each as beneficial and registered owner. Mr. Parker is deemed by virtue of the SFO to be interested in the Shares held by Ms. Parker. It also includes share options held by Mr. Parker that are exercisable for 4,190,364 Shares.

(2) The 16,476,798 Shares comprise 10,192,034 Shares held by Mr. Tainwala and share options exercisable for 6,284,764 Shares.

(3) The 7,382,105 Shares comprise 1,409,648 Shares held by a discretionary trust of which Mr. Gendreau is the founder and share options held by Mr. Gendreau that are exercisable for 5,972,457 Shares.

(4) The 2,190,292 Shares comprise 696,171 Shares held by Mr. Korbas and share options exercisable for 1,494,121 Shares.

(b) Interests in the Shares of Associated Corporations

Name of Director	Name of associated corporation	Nature of interest	Number of shares held	Approximate shareholding %
Ramesh Dungarmal Tainwala . . .	Samsonite South Asia Private Limited	Beneficial owner and interest in a controlled corporation	14,196,493 *(Note 1)*	40.00%
	Samsonite Middle East FZCO	Interest in a controlled corporation	8 *(Note 2)*	40.00%

Notes:

(1) The 14,196,493 shares includes 1,807,020 shares jointly held by (i) Mr. Tainwala's wife, Mrs. Shobha Tainwala, and his daughter, (ii) 9,644,473 shares in which Mr. Tainwala has full discretion to exercise voting rights under powers of attorney on behalf of other shareholders in Samsonite South Asia Private Limited, (iii) 556,000 shares held by Tainwala Holdings Private Limited and (iv) 2,189,000 shares held by Periwinkle Fashions Private Limited. Mrs. Tainwala is deemed to be interested in 66.28% of the issued share capital of Tainwala Holdings Private Limited while Mr. Tainwala is deemed to be interested in 69.86% of the issued share capital of Periwinkle Fashions Private Limited. Accordingly, Mr. Tainwala is deemed to be interested in the entire equity interest in Samsonite South Asia Private Limited held by Tainwala Holdings Private Limited (since Mrs. Tainwala's controlling interest in that company is attributed to him) and Periwinkle Fashions Private Limited (since he has a controlling interest in that company). The remaining 60% of the equity interest in Samsonite South Asia Private Limited is held by the Group.

(2) Mr. Tainwala holds 100% of the equity interest in Periwinkle Holdings Limited and therefore Mr. Tainwala is deemed to be interested in the entire 40% equity interest in Samsonite Middle East FZCO held by Periwinkle Holdings Limited. The remaining 60% of the equity interest in Samsonite Middle East FZCO is held by the Group.

Save as disclosed above, as of the Latest Practicable Date, none of the Directors or chief executives had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(c) Interests in assets, contracts or arrangements of the Group or of the Tumi Group

As of the Latest Practicable Date, save as disclosed below, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group or of the Tumi Group since December 31, 2015, being the date to which the latest published audited financial statements of the Group and of the Tumi Group were made up.

Samsonite South Asia Private Limited ("**Samsonite India**"), a non-wholly owned subsidiary of the Company, has entered into transactions with associates of Mr. Ramesh Tainwala, an Executive Director and the Chief Executive Officer of the Company, and certain members of his family (the "**Tainwala Group**") which relate to the operation of Samsonite India in the ordinary and usual course of its business, namely:

(1) on January 3, 2009, Samsonite India entered into a memorandum of understanding (the "**Abhishri Memorandum of Understanding**") with Abhishri Packaging Private Limited ("**Abhishri**"), a company controlled by certain members of the Tainwala Group, pursuant to which Abhishri purchases certain raw materials and components from Samsonite India and manufactures hard-side luggage products on behalf of Samsonite India;

(2) the Company entered into a framework agreement with Abhishri with effect from April 6, 2015 for an initial term until December 31, 2017 covering all transactions between Abhishri and members of the Group (in addition to those with Samsonite India under the Abhishri Memorandum of Understanding) for the sale of components and finished products and the provision of manufacturing services by Abhishri to members of the Group;

(3) on November 16, 2009, Samsonite India entered into a memorandum of understanding with Bagzone Lifestyles Private Limited ("**Bagzone**"), a company controlled by certain members of the Tainwala Group, pursuant to which Bagzone was appointed as a preferred dealer of *Samsonite*, *American Tourister* and other products in India. The memorandum of understanding was renewed with effect from January 1, 2015 for a period expiring on December 31, 2017; and

(4) Samsonite India has entered into six lease or license agreements for company accommodation and office premises with members of the Tainwala Group.

Mr. Ramesh Tainwala and the Tainwala Group are also substantial shareholders in Samsonite India.

Samsonite Middle East FZCO ("**Samsonite Middle East**"), a non-wholly owned subsidiary of the Company, is held 40.0% by Mr. Ramesh Tainwala and members of the Tainwala Group. With effect from June 16, 2011, Samsonite Middle East entered into a framework agreement with the Company (the "**Middle East Framework Agreement**") covering all transactions with other subsidiaries of the Company in the ordinary and usual course of the Group's business including the purchase by Samsonite Middle East of finished products from other subsidiaries of the Company, the receipt and payment by Samsonite Middle East of cross-charges and fees in relation to the sharing of global marketing, promotion, product development and personnel costs between subsidiaries of the Company and the payment by Samsonite Middle East of royalties in respect of intellectual property rights licensed to Samsonite Middle East. Samsonite Middle East and the Company have further renewed the Middle East Framework Agreement for a period of three years with effect from January 1, 2016.

Samsonite India, a non-wholly owned subsidiary of the Company, is held 40.0% by Mr. Ramesh Tainwala and members of the Tainwala Group. With effect from June 16, 2011, Samsonite India entered into a framework agreement with the Company (the "**India Framework Agreement**") covering all transactions with other subsidiaries of the Group in the ordinary and usual course of the Group's business including the purchase by Samsonite India of raw materials, components, spare parts, finished products and capital assets from other subsidiaries of the Company, the sale of finished products by Samsonite India to other subsidiaries of the Group, the receipt and payment by Samsonite India of cross-charges and fees in relation to the sharing of global marketing, promotion and product development costs between subsidiaries of the Group, and the payment by Samsonite India of royalties in respect of intellectual property rights licensed to Samsonite India. Samsonite India and the Company have further renewed the India Framework Agreement for a period of three years with effect from January 1, 2016.

As of the Latest Practicable Date, save as disclosed above, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group or of the Tumi Group subsisting at the date of this circular and which is significant in relation to the business of the Group or of the Tumi Group taken as a whole.

(d) Competing interests

As of the Latest Practicable Date, none of the Directors or their close associates had an interest in any business which competes or is likely to compete, either directly or indirectly, with the Group's business.

(e) Common directors

As of the Latest Practicable Date, none of the Directors was a director or employee of any company which has an interest or short position in the Shares or underlying shares of the Company which were required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As of the Latest Practicable Date, none of the Directors had, or is proposed to have, a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without compensation (other than statutory compensation)).

4. MATERIAL CONTRACT

The following material contract (not being contract entered into in the ordinary course of business) has been entered into by members of the Group and/or of the Tumi Group within the two years immediately preceding the Latest Practicable Date:

(a) the Merger Agreement.

5. MATERIAL LITIGATION

On March 15, 2016, a putative stockholder class action challenging the Merger was filed in New Jersey Superior Court and was captioned Sun v. Tumi Holdings, Inc., et al., No. C-32-16 (N.J. Super.) (the "**Sun State Court Action**"). The Sun State Court Action alleged that the members of the Tumi Board breached their fiduciary duties by, among other things, entering into the Merger Agreement with the Company at an inadequate price, failing to engage in an auction process, and failing to disclose all material information to Tumi Stockholders. The Sun State Court Action also alleged that Tumi and the Company aided and abetted these alleged breaches of fiduciary duties. On April 14, 2016, the plaintiff voluntarily dismissed the Sun State Court Action.

On April 19, 2016, the same plaintiff who filed the Sun State Court Action filed an action in the United States District Court for the District of New Jersey, captioned Sun v. Tumi Holdings, Inc., et al., No. 2:16-cv-02184-JMV-JBC (D. NJ.) (the "**Sun Federal Court Action**"). The Sun Federal Court Action makes only disclosure claims, alleging an individual claim for violation of Section 14(a) of the Exchange Act against Tumi and the members of the Tumi Board, as well as an individual claim for violation of Section 20(a) of the Exchange Act against the Company and the members of the Tumi Board. The Board and the Tumi Board believe these claims are wholly without merit.

As of the Latest Practicable Date, save as disclosed above, none of the members of the Group or of the Tumi Group was engaged in any litigation of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group or of the Tumi Group.

6. EXPERTS

(a) Qualification of experts

The following are the names and qualification of the experts who have given advice which are contained in this circular:

Name	Qualification
KPMG LLP	Independent Registered Public Accounting Firm
Grant Thornton LLP	Independent Registered Public Accounting Firm
Deloitte & Touche LLP	Independent Registered Public Accounting Firm
Deloitte Touche Tohmatsu	Certified Public Accountants

(b) Interests of experts

As of the Latest Practicable Date, none of KPMG LLP, Grant Thornton LLP, Deloitte & Touche LLP or Deloitte Touche Tohmatsu was interested in any securities of any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group, and none of KPMG LLP, Grant Thornton LLP, Deloitte & Touche LLP or Deloitte Touche Tohmatsu had any direct or indirect interest in any assets which had been, since December 31, 2015 (being the date to which the latest published audited consolidated financial statements of the Group and the Tumi Group were made up), acquired or disposed of by, or leased to, or were proposed to be acquired or disposed of by, or leased to, any member of the Group or of the Tumi Group.

7. CONSENTS

Each of KPMG LLP, Grant Thornton LLP, Deloitte & Touche LLP and Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the issue of this circular with its report and/or letter and/or references to its name included herein in the form and context in which they are respectively included in this circular.

8. MISCELLANEOUS

(a) The registered office of the Company is situated at 13-15 Avenue de la Liberté, L-1931 Luxembourg and the principal place of business of the Company in Hong Kong is situated at 25/F, Tower 2, The Gateway, Harbour City, 25 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

(b) The Company's branch share registrar in Hong Kong is Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(c) The Company's principal share registrar in Luxembourg is Intertrust (Luxembourg) S.à r.l., 6, rue Eugéne Ruppert, L-2453 Luxembourg.

(d) The joint company secretaries of the Company are Mr. John Bayard Livingston and Ms. Chow Yuk Yin Ivy. Mr. Livingston is a qualified lawyer in the United States. Ms. Chow Yuk Yin Ivy is a Fellow Member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators as well as an Ordinary Member of the Hong Kong Securities and Investment Institute.

(e) The English text of this circular shall prevail over the Chinese text in the event of any inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's registered office at 13–15 Avenue de la Liberté, L-1931 Luxembourg and at the office of Freshfields Bruckhaus Deringer at 11th Floor, Two Exchange Square, Hong Kong on any weekday, except Saturdays, Sundays and public holidays, during the period of 14 days from the date of this circular:

(a) the Articles of Incorporation;

(b) the letter from the Board, the text of which is set out in "*Letter from the Board*";

(c) the annual reports of the Company for each of the financial years ended December 31, 2013, 2014 and 2015;

(d) the audited financial information of the Tumi Group for each of the financial years ended December 31, 2013, 2014 and 2015 and the unaudited financial information of the Tumi Group for the three months ended March 27, 2016 prepared under U.S. GAAP as set out in Appendix II to this circular;

(e) the unaudited adjusted consolidated income statements and consolidated statements of comprehensive income and the unaudited adjusted consolidated statements of financial position of Tumi under the Company's accounting policies as set out in Appendix II to this circular;

(f) the report from KPMG LLP in relation to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular;

(g) the material contract of the Group referred to in "– *Material Contract*" above;

(h) the written consents referred to in "– *Consents*" above; and

(i) this circular.

SAMSONITE INTERNATIONAL S.A.

新秀麗國際有限公司

13–15 Avenue de la Liberté, L-1931 Luxembourg
R.C.S. LUXEMBOURG: B 159.469
(Incorporated in Luxembourg with limited liability)
(Stock code: 1910)

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of the shareholders (the "**General Meeting**") of Samsonite International S.A. (the "**Company**") will be held at 13–15 Avenue de la Liberté, L-1931 Luxembourg and by video conference at 5/F, Hutchison House, 10 Harcourt Road, Central, Hong Kong on Tuesday, July 26, 2016 at 11:00 a.m. (CET)/5:00 p.m. (Hong Kong time) for the purposes of considering and, if thought fit, passing (with or without amendments) the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"THAT

(a) the agreement and plan of merger (the "**Merger Agreement**") dated as of March 3, 2016 entered into between the Company, PTL Acquisition Inc. ("**PTL Acquisition**") and Tumi Holdings, Inc. ("**Tumi**") in relation to the merger of PTL Acquisition with and into Tumi, with Tumi surviving the merger as an indirect wholly-owned subsidiary of the Company, and the transactions contemplated thereunder including the merger, the debt financing as well as the guarantees and security to be granted in that respect (as further described in the circular dispatched by the Company on June 28, 2016), be and are hereby approved, ratified and confirmed; and

(b) the directors of the Company, acting collectively and individually, be and are hereby authorized, for and on behalf of the Company, to do all such acts and things and to sign, execute, seal (where required) and deliver all such documents and to take all such steps as the directors of the Company in their discretion may consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Merger Agreement and the transactions contemplated thereunder."

By Order of the Board
SAMSONITE INTERNATIONAL S.A.
Timothy Charles Parker
Chairman

Hong Kong, June 28, 2016

Notes:

1. The resolution at the General Meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

2. Any shareholder of the Company entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number of Shares in respect of which each such proxy is so appointed.

3. Any shareholder of the Company whose ownership is either recorded through the Central Clearing and Settlement System ("**CCASS**") or maintained with a licensed securities dealer (i.e. not directly recorded in his own name in the register of members of the Company) shall only be entitled to vote by providing its instructions to vote to HKSCC Nominees Limited either directly as a CCASS Participant or through its licensed securities dealer and the relevant financial intermediaries. In order to attend and vote at the General Meeting, any such shareholder shall be appointed by HKSCC Nominees Limited as its proxy to attend and vote instead of him.

4. In order to be valid, the form of proxy must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or to the Company's registered office at 13–15 Avenue de la Liberté, L-1931 Luxembourg not less than 48 hours before the time appointed for the holding of the General Meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

5. For determining the entitlement to attend and vote at the General Meeting, the register of members of the Company will be closed from Friday, July 22, 2016 to Tuesday, July 26, 2016, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's registered office at 13–15 Avenue de la Liberté, L-1931 Luxembourg or with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1717 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, July 21, 2016.

6. If a black rainstorm warning or a tropical cyclone warning signal number 8 or above is hoisted at or after 12 noon on July 26, 2016, the above meeting will not be held in Hong Kong on July 26, 2016 but will continue to be held at the Company's registered office in Luxembourg at 13–15 Avenue de la Liberté, L-1931 Luxembourg.